

FROM HOMEOWNERSHIP TO FORECLOSURE:
EXPLORING THE MEANINGS HOMEOWNERS ASSOCIATE WITH
THE LIVED EXPERIENCE OF FORECLOSURE

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Dedication

“Write hard and clear about what hurts.” –Ernest Hemingway

I dedicate this work to the five incredible and resilient women who graciously shared their experiences for the purpose of empowering other people.

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“Ten thousand hours felt like ten thousand hands.

Ten thousands hands, they carry me.” –Macklemore

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"Every thought you produce, anything you say, any action you do, it bears your signature." --Thich Naht Hanh

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This study is an interpretative phenomenological analysis that explored the meanings homeowners associated with their lived experience of foreclosure. In the wake of the 2006 housing crash and 2008 Great Recession, questions have been posed about the continued efficacy of homeownership as an asset-based strategy. In addition, the conversation has been dominated by traditional economic and business interests. Discussions about housing policy and foreclosure response have marginalized the voice of vulnerable populations. The literature on housing policy reflects a positivist perspective that privileges analysis of unit production, economic costs and benefits. Secondary attention is given to exploring housing and foreclosure from a critical and constructivist standpoint. Consequently, this study intentionally engaged people who have experienced foreclosure. Depth and meaning were uncovered through interpretative phenomenological analysis. A purposive sample of five homeowners who experienced foreclosure was identified. The five homeowners participated in semi-structured interview. Transcribed interviews were analyzed using the six-step process articulated for interpretive phenomenological analysis (IPA). IPA combines three philosophical foundations—phenomenology, hermeneutics, and idiography—to approach qualitative and experiential research. The findings of this study discovered that foreclosure represents disconnection for the participants. Specifically, due to experiencing foreclosure, participants felt separated from their self-identity, from housing finance

literacy, from their relationship with their mortgage lender and servicers, from the benefits of homeownership and from self-sufficiency due to their social service-based, helping-based, and/or low-wage employment. Study findings both affirm and challenge relevant theoretical frameworks. In addition, this research underscores the need for social work education to address financial literacy. Further, social work practitioners should be prepared to either provide or refer consumers to home-buyer education and training. Social workers should also challenge exploitative consumer practices and offer empowering alternatives in their place. Lastly, this research offers strategies and practices to strengthen housing policy and foreclosure response for the benefit of consumers.

Margaret E. Adamek, Ph.D., Chair

Table of Contents

Chapter I. Introduction.....	1
Foreclosure Crisis.....	1
Structure of Analysis	3
Historical Context and Analysis: Housing Policy from the Great Depression to the Great Recession	4
Context and Crash	6
Gilded Age.....	6
1929 Stock Market Crash & the Great Depression.	11
Federal Response and Restrained Expansion.....	13
1930's Legislation.	13
1940's Legislation.	22
Retrenchment, Urban Renewal, and Race.....	25
1950's Legislation.	25
1960's Legislation.	28
1970's Legislation.	32
Devolution, Deregulation and Ownership Society.....	35
1980's Legislation.	35
1990's Legislation.	39
Summary	43
Chapter II. Literature Review	46
Epistemological Stance: Homeownership Research	46
Empirical Knowledge: Foreclosure's Impact on Community.....	48
Contextual Background.	48
Community Impacts of Foreclosure	53
Increase in crime.....	53
Increase in housing instability.	56
Increase in financial costs.....	58
Current Policy Practice.....	66
Federal Response.....	66
State Response.....	73

Grassroots Response.....	74
Theoretical Critique and Analysis.....	77
Asset Development Theory.....	79
Overview of Theory.....	79
Status of Empirical Base.....	81
Status of Conceptual Rigor.....	83
Relevance to Topic.....	84
Functional Theory of Federalism.....	85
Overview of Theory.....	85
Status of Empirical Base.....	87
Status of Conceptual Rigor.....	87
Relevance to Topic.....	88
Marxist Theory.....	89
Overview of Theory.....	89
Status of Empirical Base.....	91
Status of Conceptual Rigor.....	91
Relevance to Topic.....	92
Social Exchange Theory.....	92
Overview of Theory.....	92
Status of Empirical Base.....	93
Status of Conceptual Rigor.....	94
Relevance to Topic.....	94
Summary.....	95
Organizing Thoughts.....	96
Gaps in Literature.....	97
Statement of Study Purpose.....	97
Chapter III. Research Method.....	100
Research Design and Rationale.....	100
Phenomenology.....	100
Hermeneutics.....	103
Idiography.....	106

Data Collection Procedures	106
Data Analysis Strategy	108
Reading and re-reading.....	109
Initial noting.	109
Developing emergent themes.	111
Searching for connections across emergent themes.	111
Moving to the next transcript.....	112
Looking for patterns across cases.	112
Participants	113
Evaluation Criteria	115
Sensitivity to context.	115
Commitment and rigor.....	116
Transparency and coherence.	116
Impact and importance.	117
Ethical Considerations.....	117
Chapter IV. Findings.....	120
Contextual Profiles	121
Linda.	121
Helen.....	122
Dorothy.....	124
Heather.....	126
Jessica.	128
Contextual Summary.	130
Essential Pattern of Experiencing Foreclosure: Disconnection	132
Theme 1: Foreclosure creates a disconnection from self.	136
Theme 2: Foreclosure represents a disconnection between a homebuyer and.....	144
housing finance literacy.....	144
Theme 3: Foreclosure reflects a disconnection in the relationship between a	
lending institution and a borrower.....	151
Theme 4: Foreclosure represents a disconnection between a homebuyer and	
the benefits of homeownership.....	171

Theme 5, Foreclosure is a consequence of a disconnection between participants’ social service-based, helping-based and/or low-wage employment and self-sufficiency.	186
Chapter V. Discussion	193
Finding Meaning: Interpretative Phenomenological Analysis.....	193
Lived Space: Home as Space.....	194
Lived Body: Sense of Self.	195
Lived Time: Individual and Socio-economic Context.	197
Lived Human Relation: Relationship with Lenders.	199
From Disconnection to Connection.....	200
Connecting Understanding: Implications for Theory.....	200
Asset Development Theory.	200
Functional Theory of Federalism.	203
Marxist Theory.	204
Social Exchange Theory.	205
Connecting Competency: Implications for Social Work Education	206
Connecting Empowerment: Implications for Social Work Practice	207
Practical Implications.	208
Philosophical Implications.	210
Connecting Relationship: Implications for Housing Policy and Foreclosure Response.....	211
Mortgage flipping.	212
Reevaluating true cost of home.	212
Incentives and subsidies across the housing continuum.....	214
Limitations of Study.....	215
Challenges identifying a sample.....	216
Revision of inclusion criteria.....	217
Time with data analysis.	218
Directions for Future Research	218
Conclusion.....	222

Appendices.....	224
Appendix A	224
Appendix B	226
Appendix C	227
References	229
Curriculum Vitae	

List of Tables

Table 1 Ten states with highest foreclosure rates in 2007: Projected foreclosures and impacts.....	48
Table 2 Mean household income of quintiles, Median household income of total households, GINI index of income inequality, 2004-2009	52
Table 3 Key Concepts of Asset Development Theory	84
Table 4 Key Concepts of Marxist Theory	92
Table 5 Social Exchange Theory Conceptual Framework	95
Table 6 Parts and Whole of Hermeneutic Circle	104
Table 7 Participant Demographic and Personal Characteristics	131
Table 8 Participant Housing Characteristics.....	132
Table 9 Participant Mortgage Information	132
Table 10 van Manen’s Four Existentials	194

List of Figures

Figure 1 Foreclosures' impact on crime	54
Figure 2 Foreclosures' impact on housing instability	57
Figure 3 Foreclosures' impact on financial costs	59
Figure 4 Social Impacts of Foreclosure	65
Figure 5 Effects of Assets	82
Figure 6 Functional Theory of Federalism Framework Redistributive and Developmental Policy	86
Figure 7 Marxist Theory Relationship between Working and Ruling Classes.....	91
Figure 8 Essential Pattern, Foreclosure as Disconnection	135
Figure 9 Housing Continuum	215

Chapter I. Introduction

A white picket fence, a lush green yard, a welcoming front door, a family room where relatives and neighbors gather to share the mundane, celebrate milestones, and comfort one another in time of need. These images evoke the quintessential homeownership experience that culturally defines the American Dream. A broken fence, an overgrown or brittle brown yard, a bank notice on the door, boarded up windows barring recent homeowners but providing shelter for criminal activity. Conversely, a dichotomous image is painted when describing the nightmare experience of foreclosure.

Homeownership – one word that conveys many social, economic and political meanings in the United States. It is regularly cited as evidence of achieving a substantial part of the American Dream (Burchell & Listokin, 1995; Ronald, 2008), symbolically communicates information about one’s social status and stability (Schwartz, 2010), and provides financial benefits in the form of tax breaks and other incentives (Johnson & Sherraden, 1992). Overwhelming and historically, the attributes associated with homeownership are positive; however, in light of the 2006 housing crash and subsequent 2008 financial meltdown, scholars and lay people are reassessing the sacred position homeownership holds in U.S. culture and the market economy.

Foreclosure Crisis

In 2006, the U.S. housing bubble burst placing “millions of homeowners and thousands of communities” in a historic foreclosure and financial crisis (Corporation for Enterprise Development [CFED], 2008, p. 3). Homeownership rates peaked in the fourth quarter of 2004, reaching a high of 69.2% (Joint Center for Housing Studies, 2012). Following the aftermath of the 2006 housing crash, the rate began to drop. In 2011,

homeownership rates sat at 66.1% (Joint Center for Housing Studies, 2012). The crisis followed ten years of the largest expansion in homeownership since the period following World War II (CFED, 2008; Joint Center for Housing Studies, 2006b). Between 1995 and 2005, 12.5 million individuals became new homeowners (CFED, 2008; Joint Center for Housing Studies, 2006b). Growth in homeownership occurred in an environment that offered low-interest rates, new loan products, and relaxed financial regulations (U.S. Department of Housing and Urban Development [HUD], 2009; Schwartz, 2010). A growing body of research establishes a relationship between the relaxed financial regulatory environment and the housing crash that began in 2006 (CFED, 2008; HUD, 2009; Schloemer, Li, Ernst, & Keest, 2006; Tetreault & Verrilli, 2008). Evidence also indicates that the foreclosure crisis unearthed critical weaknesses of the financial sector in the U.S., which played a significant role in the U.S. economic recession that started in 2007 and impacted economies around the globe (Friedman, 2010; Glaeser, 2010; Solow, 2010; Stein, 2010; Temin, 2010; Treas, 2010).

When the U.S. housing market crashed in 2006, it ushered in an economic crisis that would become known as the Great Recession, and economists and business professionals were consulted with to provide explanations and forecast the fallout (Friedman, 2010; Goodhart, 2010; Glaeser, 2010; McCarty, Poole, Romer, & Rosenthal, 2010; Solow, 2010; Stein, 2010; Temin, 2010; Zingales, 2010). Although the crisis would touch every socio-economic demographic and a war, if solely metaphorical, was waged between Wall Street and Main Street, most of the discussion was centered in traditional finance-oriented domains of business and economics; however, the crisis disproportionately impacted vulnerable populations—populations that often fall out of

the purview of traditional financial and economic domains (Hinze, 2011; Waddan, 2010). Given the primary mission of the social work profession to “enhance human well-being and help meet the basic human needs of all people, with particular attention to the needs and empowerment of people who are vulnerable, oppressed, and living in poverty,” it is important for social work scholars and practitioners to discuss and analyze the fallout from this crisis (National Association of Social Workers [NASW], 2008, para. 5).

Structure of Analysis

To begin this examination, it is helpful to revisit the past and establish the context for the current crisis. In 1929, the U.S. experienced its most devastating economic crisis—the Great Depression. Although factors leading to the 1929 crash were unique, some important similarities exist between the Great Depression and the Great Recession that provide for substantive analysis and comparison. In addition, following the Great Depression, legislation was implemented not only to intervene in the financial crisis but also to prevent future economic catastrophes from occurring. A historical analysis will document the slow erosion of these legislative and regulatory remedies over the decades between the 1930s and early 2000s, which some scholars have attributed to the creation of conditions precipitating the 2008 Great Recession. In tandem, relevant and landmark housing policy will also be explored.

Following the historical analysis, an exploration of the epistemological stance dominating housing literature and empirical base concerning the impact of foreclosure on communities will be discussed. Specifically, this analysis will summarize theories that offer explanatory frameworks for understanding societal behaviors and dynamics related to the foreclosure crisis, current policies and programs intended to prevent or mitigate the

effects of foreclosure. This discussion provides the rationale for the research design, situated in interpretative phenomenological analysis, of exploring the meanings homeowners associate with the lived experience of foreclosure. Data were analyzed using the six-step IPA process formulated by Smith, Flowers, and Larkin (2012). Implications for theory, social work education, social work practice, housing policy and foreclosure response are discussed.

Historical Context and Analysis: Housing Policy from the Great Depression to the Great Recession

U.S. housing policy represents a complex interaction of real estate, finance, construction, and low-income advocacy interests. Although piecemeal policies existed prior to the 1929 Great Depression, the first comprehensive housing policy is traced back to the New Deal where special interest groups jockeyed for acceptance of their competing agendas. The purpose of this historical review is to document and analyze housing and foreclosure-related policy from the Great Depression to the Great Recession. These two historical bookends represent periods of great economic and housing crises, which present natural beginning and end points for comparison and analysis; however, it is also critical to review what happened in the intervening years with affordable housing policy. Consequently, this analysis will deconstruct the major pieces of affordable housing policy not only following the Great Depression and Great Recession but also during the interceding years of the 1940s-1990s.

The historical roots of housing policy targeted to low- and moderate-income communities are similar to other social welfare responses in the United States—with emphasis being placed on providing, or maintaining, a subsistence level of shelter

(Johnson & Sherraden, 1992; Radford, 1996; Sherraden, 1991). Also similar to other social welfare programs, people generally think most federal spending directed towards housing is provided to assist people of low- and moderate-incomes (Johnson & Sherraden, 1992). In actuality, the U.S. federal government directs most housing expenditures to the benefit of upper-income individuals in the form of mortgage interest deductions (Dreier & Atlas, 1992; Ridenour, Weld, & Elson, 2012). Households earning over \$100,000 received a significant portion of the \$171 billion in homeowner tax benefits that were realized in 2008—compared to direct federal housing assistance for primarily low-income individuals, which totaled less than \$40.2 billion in the same fiscal year (Schwartz, 2010). This two-tiered pattern of assistance is documented throughout the relatively brief history of U.S. housing policy (Johnson & Sherraden, 1992; Radford, 1996).

While other forms of social welfare have a longer history in the U.S., it was not until the period of the Great Depression that the federal government developed a coordinated policy response to housing. Over the next five decades, additional federal policy was developed that introduced different strategies to address housing issues; however, the focus remained on maintaining a basic level of shelter for low-income individuals, providing economic and business opportunities for those engaged in the construction of housing, and protecting the value of homes owned by middle and upper income individuals (Radford, 1996; Sherraden, 1991; Schwartz, 2010).

Context and Crash

Gilded Age.

Although the 1929 stock market crash may be commonly discussed as an isolated, singular catastrophic event, critics argue it was a culminating result of the economic policies and market activities of the Gilded Age (Giroux, 2010). Consequently, a brief examination of this time period is essential to not only understanding its connection to the economic conditions leading to the Great Depression but also for providing interesting context in understanding the time period preceding the Great Recession of 2008 (Giroux, 2010).

The Gilded Age, following the Civil War with scholars documenting the time period as early as 1865 and as late as 1925, was a time of significant market expansion (Orser, 2011). Substantial wealth was accumulated by industry leaders as they leveraged increased production in the areas of manufacturing, mining, transportation, communication, marketing, and finance (Bartel, 2007; Field, 2007; Orser, 2011). The Gilded Age was also a time characterized by great disparities of wealth. Critics of wealth inequality that characterized the Gilded Age cite corruption, deregulated financial and industrial sectors, structural racism and classism as causes of the economic disparities—and, eventually, the Great Depression (Bartel, 2007; Giroux, 2010; Mashaw, 2010; White, 2003).

Preceding the Gilded Age, Social Darwinism found its footing as an influential ideology and was embraced by some social theorists throughout this time period and into the Progressive Era (Hofstadter, 1944; Specht & Courtney, 1994). In fact, strains of Social Darwinist thinking have reemerged in recent policy debates concerning social

welfare and the plight of individuals who are poor. Social Darwinism, a concept adapted from England, distorts the biological evolutionary theory developed by Charles Darwin and presented in *The Origin of Species* (Hofstadter, 1944). Herbert Spencer, who is correctly credited with developing the phrase ‘survival of the fittest,’ imposed a social evolutionary framework onto Darwin’s theory (Hofstadter, 1944). Essentially, Spencer equated the natural order of the biological world with that of the economic world where individuals deemed weak found themselves selected out of society (Hofstadter, 1944; Peel, 1972; Spencer, 1851). Spencer, in his own words, detachedly explains the harsh but, from his perspective, necessary elimination of weak individuals from society,

It seems hard that widows and orphans should be left to struggle for life or death. Nevertheless, when regarded not separately, but in connection with the interests of universal humanity, these harsh fatalities are seen to be full of beneficence—the same beneficence which brings to early graves the children of diseased parents, and singles out the low-spirited, the intemperate and the debilitated as the victims of an epidemic. (Spencer, 1851, p. 323)

It is through this ideological lens that Spencer rejected government intervention into the private lives of individuals. Spencer argued against the efficacy of England’s Poor Laws, citing social welfare policy as an affront against society’s natural order (Peel, 1972).

Spencer’s ideology was embraced by American William Sumner of Yale University, who was described as having one of the largest followings of students during this time (Hofstadter, 1944). Critics of Sumner contend that he espoused a religious-like approach in combining Calvinistic and natural economic tenants of Spencer’s Social Darwinism (Hofstadter, 1944). Central to Sumner’s reconceptualization of Darwin’s biological theory was the sociological construction that perpetuated the belief that people who found themselves at the bottom of the socio-economic ladder were subject to a

natural order that selected out the weak in favor of the strong (Sumner, 1883; Sumner, 1914). This core concept of Sumner's interpretation of Social Darwinism is reflected in the following passage,

Let it be understood that we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not liberty, equality, survival of the unfittest. The former carries society forward and favors all its best members; the latter carries society downwards and favors all its worst members (Sumner, 1914, p. 25).

This analysis has highlighted the core conceptual and ideological framework of Social Darwinism to demonstrate its influence on perpetuating the inequality of the Gilded Age. This dominant social ideology is credited by some scholars as providing a rationale for laissez-faire regulatory oversight of the markets, predatory behavior of "robber barons" and legitimization of the oppressive treatment of people who found themselves at the economic bottom of U.S. society (Giroux, 2010; Hofstadter, 1944; Orser, 2011; Specht & Courtney, 1994). In its myopathy and oppressive ideological framework, Social Darwinism failed to acknowledge the significant sacrifices and strength of the laboring class—represented by many immigrants and children, on which the elites of society depended, and who endured dangerous working conditions that resulted in extraordinary wealth created by the "weak" for the "strong" (Joseph, 1989; Marx & Engels, 1848/2012; Orser, 2011; Wagner, 2008).

Interestingly, the professionalization of social work practice also coincides with the Gilded Age. As the U.S. adapted the Elizabethan Poor Laws from the English in the 1600s, U.S.-based Charity Organization Societies (COS) developed similarly to a British organization in the 1880s (Abel, 1998; Becker, 1963). Although concerned with the plight of people who were impoverished and having genesis during a period of extreme

wealth gaps, perhaps influenced by the ethos of Social Darwinist and Puritan ideology, COS generally viewed poverty as a personal defect rather than the result of structural inequality (Abel, 1998; Chambers & Hinding, 1968; Roberts, 2003; Vincent, 1984). Chambers and Hinding (1968) emphasize the level of contempt “friendly visitors,” who provided “scientific care” demonstrated to people in need during this period of extreme resource inequality,

The sources of poverty lay in personal shortcomings—improvidence, imprudence, drunkenness and crime; the poor were extravagant, ignorant, slatternly, and shiftless. The granting of indiscriminate relief did nothing but pull the needy down into pauperism, from which slough of habitual dependency there could be no escape. (p. 97)

The COS movement continued to grow throughout the late 19th Century, with it, emphasizing “scientific care,” which consisted of, primarily, middle-income white women visiting the homes of people in need, engaging in a thorough assessment of the client and presenting situation, and developing a comprehensive report to share with a district committee who would then determine whether an individual was “worthy” of relief (Abel, 1998; Specht & Courtney, 1994).

Contrasted with the rise of the COS movement, is the development of the Settlement House movement. The Settlement House movement, also a borrowed organizational concept from England, arose after COS but still in the late 19th century (Abel, 1998). The approach of the Settlement House movement differed substantially from the COS. Settlement House workers lived among the people they served and their locus of change centered on social and economic injustice (Chambers & Hinding, 1968). Although approaches of each movement differed significantly, both areas of foundational

social work professional practice reflected conservative, moralistic, and religious influences (Specht & Courtney, 1994).

The professionalization of social work is important to acknowledge as there still exists a gap between social work practice and an understanding of the financial structures and realities that often result in the oppression of the clients served by the profession. Further, there is a lack of a sustained effort on the behalf of the profession and its clients to challenge these oppressive and institutional structures (Birkenmaier & Curley, 2009; Glasby, 2001; Hairston, 1981; Sherraden, Laux, & Kaufman, 2007;). One of the most recognized critiques of this split in professional social work practice was articulated by Specht and Courtney (1994). They present an impassioned case that the social work profession, in its open embrace of psychotherapy and serving people of higher socio-economic status, has ignored the conditions of people who are poor (Specht & Courtney, 1994). Specht and Courtney (1994) trace the abandonment of social work's community service mission back to the Flexner Report, which was delivered in 1915. The Flexner Report, delivered by Abraham Flexner, an educational expert, explored whether social work possessed the requisite criteria for it to be considered a full profession—alongside areas of study such as medicine and law (Flexner, 1915). In comparing social work to these traditional and, consequentially, male-dominated professions, Flexner determined that social work was, indeed, not a full profession (Flexner, 1915). Specht and Courtney (1994) suggest the pronouncement by the influential Flexner resulted in a lingering professional self-confidence issue in which social workers began radically restricting the core mission of the profession to be accepted and validated. Their conclusion was that the profession had become dominated by practitioners providing therapeutic interventions at

the expense of pursuing widespread systems change. Thus, the foundation of professional social work developed in a period of great inequality, where early practice was characterized by judgmental and moralistic assessments and sidetracked by esteem issues concerning professionalization. This historical and professional context is significant in understanding the existing social and economic order prior to the Great Depression.

1929 Stock Market Crash & the Great Depression.

The boom and bust cycle preceding the Great Recession of 2008 shares similarities with the Great Depression of 1929. During the four years following the 1929 crash, personal income decreased 44%, inflation-adjusted economic output declined 30%, and the unemployment rate reached 25% (Wheelock, 2008). Housing prices and household incomes declined dramatically following a period in which debt was increasingly used to finance housing purchases (Wheelock, 2008). Following an increase of housing prices, which peaked in 1926, residential real estate foreclosures doubled between 1926 and 1929 (Wheelock, 2008). The instability of housing increased dramatically following the 1929 market crash. Between 1929 and 1933, housing prices fell further, and foreclosures increased from 134,900 to 252,400 (Wheelock, 2008). The foreclosure rate increased from the first year data was available in 1926 from 3.6 per 1,000 home mortgages to a high of 13.3 per 1,000 mortgages in 1933 (Schwartz, 2010; Wheelock, 2008). Moreover, in 1933, on average 1,000 home mortgages were foreclosed every day (Wheelock, 2008). Risk of foreclosure was high during this time. On January 1, 1934, it was reported that nearly half of urban home mortgages were delinquent (Wheelock, 2008).

According to Wheelock's (2008) analysis, "The sharp increase in mortgage distress during the Great Depression was the result of precipitous declines in income and real estate values following a period of rapid growth in mortgage debt outstanding" (p. 3). Data support Wheelock's (2008) analysis. During the four years following the market crash, personal disposable income and nonfarm residential wealth fell 41.0% and 25.7%, respectively (Wheelock, 2008). Comparatively, over this same time period, the value of nonfarm residential debt fell only 6.8% (Wheelock, 2008). These conflicting factors were further complicated by falling houses prices, which caused homeowners who were experiencing difficulty in paying their mortgage payments to encounter a likely scenario of owing more on their mortgages than what they could demand for in a selling price—or what is commonly referred to in today's market society as being underwater on one's mortgage (Schwartz, 2010; Wheelock, 2008).

Again, similar to loan products associated with the Great Recession, mortgage lending strayed from traditional underwriting standards, which were often exclusionary to many populations, to offer more risky, speculative loans (Wheelock, 2008). These loan products may have been beneficially constructed when refinancing was easily accessible during the 1920s, when homeowners experienced higher household incomes and rising property values—but access to refinancing products became essentially nonexistent during the Great Depression (Schwartz, 2010; Wheelock, 2008). Lenders, who had relaxed credit standards, tightened them in the aftermath of decreasing incomes following the 1929 market collapse. The result was a financial environment in which homeowners found it difficult to pay their mortgage on decreased wages and lenders were not open to refinancing outstanding loans (Wheelock, 2008). In his historical review, Bernanke

(1983) elaborated on the effects of the 1929 constrained financial market concluding that borrowers who were safe credit risks were not able to refinance due to the failure of several banks, which resulted in dissolving customer relationships and severely restricting access to credit. The result was a “mix of falling household incomes and property values and short-term, non-amortizing loans resulted in soaring mortgage delinquency and foreclosure rates” (Wheelock, 2008, p. 4). Consequently, homeowners could afford less housing than before and lenders were reluctant to refinance home loans.

Federal Response and Restrained Expansion

1930’s Legislation.

The Great Depression is credited with providing the impetus for a federal response to a widespread housing crisis (Radford, 1996; Schwartz, 2010). The U.S. Housing Acts of 1934 and 1937 are commonly referenced as the first federal housing policies. Certainly, it is arguable that these landmark pieces of legislation represent the initial substantial attempts to address housing issues following the Great Depression; however, the U.S. Shipping Act of 1917 is the first documented federal housing policy (Martens, 2009; Radford, 1996). The U.S. Shipping Act of 1917, passed during the Woodrow administration and World War I, allocated \$100 million to construct workforce housing (Martens, 2009). Although considerable attention is given to analyzing the 1934 and 1937 Housing Acts, the U.S. Shipping Act of 1917 deserves closer scrutiny as it informs understanding about the foundational and recurring rationales for government intervention in housing development. As the U.S. entered World War I, a housing shortage arose as workers relocated to both coasts for employment in the ship building

industry (Martens, 2009). The U.S. Shipping Act of 1917 was responsible for, in less than two years, the construction of 16,000 workforce housing units (Martens, 2009).

Martens (2009) contends that two dominant themes were behind the passage of the Shipping Act and the federal government's first foray into housing production: 1) an emphasis on designing homes that would result in an effective workforce for the ship building industry and 2) an incentive for workers to invest in their incomes into their own homes, which would create a disincentive for workers to leave or strike against their employers. From this perspective, the basic provision of shelter was not a driving consideration of the first federal housing policy. Evidence supporting the claim that providing access to labor, and not basic access to shelter, was a primary consideration of the U.S. Shipping Act was arguably apparent at the end of the War. In 1918, with less than 75% of housing units developed, Congress stopped production under the 1917 Act—a decision that would result in the government losing more than half of its initial investment (Martens, 2009). Despite the market-driven competition concerns stemming from the federal government's first intervention into housing during World War I, the chaos following the Stock Market Crash of 1929 created an environment resulting in greater acceptance of a federal role in housing (Radford, 1996; Wheelock, 2008).

Federal Home Loan Bank and Reconstruction Finance Corporation.

Preceding the Roosevelt administration and the New Deal, Hoover first attempted to ameliorate the housing and mortgage sectors by creating two legislative entities in 1932: Federal Home Loan Bank (FHLB) and Reconstruction Finance Corporation (RFC) (Radford, 1996; Schwartz, 2010; HUD, 2007). The Reconstruction Finance Corporation was established to provide loans to private corporations for the development of low-

income rental housing and slum clearance (Radford, 1996). The FHLB, which is still in existence, established 12 regional banks that allowed member banks to access funds when the demand for mortgages surpassed the supply of deposits at individual member banks (HUD, 2007; Schwartz, 2010). In addition to increasing lenders' access to funds, the FHLB system benefitted borrowers, too, by extending loan terms and increasing loan-to-value ratio (Immergluck, 2004; Schwartz, 2010).

Although critics recognize the long-term benefit of the FHLB system, they also suggest that it provided virtually no relief during the crisis of the Great Depression (HUD, 2007; Radford, 1996; Schwartz, 2010). In the year the FHLB system was established, housing starts were one half of what was recorded in 1931 (Radford, 1996). When Roosevelt took office in 1933, housing starts had once again plummeted with half of \$20 billion of all home mortgage debt in default (Radford, 1996).

Home Owners' Loan Corporation.

Acknowledging the widespread impact of the 1929 Stock Market Crash and resulting foreclosures, as part of the New Deal Roosevelt established the Home Owners' Loan Corporation (HOLC) in 1933 to purchase and refinance delinquent home mortgages during the Great Depression (Harriss, 1951; Schwartz, 2010; Wheelock, 2008). Unlike the FHLB system, the HOLC specifically addressed the challenge of foreclosures. HOLC was responsible for purchasing and refinancing more than 1 million delinquent home loans—representing 10% of all owner-occupied homes (Radford, 1996; Schwartz, 2010; Wheelock, 2008). HOLC contained a number of provisions to mitigate foreclosures: extended term of mortgages, reduced monthly payments, provided low-interest loans to allow families to repurchase homes lost in foreclosure, and also provided funding to

assist with taxes and home repairs (Crossney & Barter, 2005; Harriss, 1951; Schwartz, 2010). In addition to providing immediate relief to the foreclosure crisis stemming from the Great Depression, HOLC also introduced a new and enduring way of approaching mortgage financing. HOLC is responsible for introducing the concept of a fixed-rate, long-term, self-amortizing, low down-payment mortgage (Crossney & Barter, 2005; Harriss, 1951; Schwartz, 2010). Prior to the Great Depression, this type of loan product was essentially unavailable. Although HOLC stopped lending in 1935 and completely ceased agency operations in 1951, the type of financing structure it introduced fundamentally altered future structuring of mortgage products (Harriss, 1951; Schwartz, 2010).

Glass-Steagall.

Prior to the 1929 market crash, a clear separation was indistinguishable between the deposit and investment sides of financial institutions. In fact, in the late 1920s, it was estimated that one-third of securities issued by U.S. corporations were financed by banks (Cargill, 1988). Following the market crash, the Banking Act of 1933 was passed that included a number of financial reforms intended to mitigate risky financial transactions and to protect consumers (Cargill, 1988; MacDonald, 2005). Glass-Steagall, a part of the Banking Act, established a wall between deposits and investment functions in an attempt to prevent banks from speculatively using customers' deposits to pursue risky investments (Cargill, 1988). Specifically, Glass-Steagall

...prohibited any federally chartered or state chartered member of the Federal Reserve System from purchasing, dealing in, or underwriting nongovernment securities for their own account, or affiliating with any corporation principally engaged in these activities. Glass-Steagall also prohibited investment banks from accepting demand deposits. (Cargill, 1988, p. 27)

In addition, the 1933 Act established the Federal Deposit Insurance Corporation (FDIC) to insure deposits at both thrifts and banks (MacDonald, 2005). The purpose of these provisions was to protect consumers from conflicts of interests arising from the intermingling of commercial and investment activities, to minimize speculation and risk, and to restore public confidence and trust in the U.S. financial system (Cargill, 1988; MacDonald, 2005).

Glass-Steagall was co-authored by Representative Henry Steagall, a conservative Democrat from Alabama and chair of the Committee on Banking and Currency, and Senator Carter Glass, Democratic chair of the Senate Banking and Currency Committee (Key, 1964; MacDonald, 2005). Opposition of Glass-Steagall was minimized due to the findings of a Senate special investigating committee of 1933, which was led by the committee's special counsel, Ferdinand Pecora (Key, 1964). The committee determined that bankers were not disinterested but, "had engaged in foolish, if not criminal, practices of rigging pools, artificially inflating bond prices and reaping illegitimate profits" (Key, 1964, p. 205). These findings provided the rationale for the separation of commercial and investment banking, or created a protective wall, in the form of Glass-Steagall (Key, 1964).

National Recovery Act of 1933 and Public Works Administration.

Following the 1929 Stock Market Crash and subsequent Great Depression, housing advocates attempted to introduce legislation addressing shelter for low- and moderate-income families. A social worker, New York settlement house worker, and leader of the National Public Housing Conference, Mary Simkhovich, advocated to Senator Robert Wagner to include \$125 million in the Title II National Recovery Act of

1933 for slum clearance and housing (Leighninger, 2005; Radford, 1996). The 1933 Act, sponsored by Senator Wagner and part of President Roosevelt's New Deal, laid the foundation for public housing by establishing the Public Works Administration (PWA) (Leighninger, 2005; Radford, 1996). Over four years, the PWA was responsible for constructing 25,000 housing units in 58 separate locations (Martens, 2009). The receptivity of the PWA programs was initially attributed to solid design and universal eligibility (Martens, 2009; Radford, 1996). Starting the shift into a two-tiered housing system, PWA implemented low-income eligibility guidelines, prompted by Congressional requirements, in 1936 (Martens, 2009).

National Housing Act of 1934.

To further address the economic conditions of the Great Depression, the National Housing Act of 1934, also part of the New Deal, was designed to reduce unemployment by stimulating the housing construction industry and to encourage opening up of credit by financial institutions for home repairs and construction (HUD, 2007; Schwartz, 2010). The entity through which the 1934 Act would achieve this goal was the Federal Housing Administration (FHA) (Gotham, 2000a; HUD, 2007; Radford, 1996). The FHA provided federally-backed insurance to private lenders for home repair and construction (Radford, 1996). Federal insurance, which reduced risk to private lenders, was available through two programs: 1) Section 203 mortgage insurance for single family homes, and 2) Section 207 for multi-family housing (HUD, 2007). To encourage more funds to be available for mortgage lending, the 1934 Act also established an entity through which mortgages could be sold to a secondary market (HUD, 2007; Schwartz, 2010). Created as a subsidiary of the Reconstruction Finance Corporation, the Federal National Mortgage

Association, more commonly known as Fannie Mae, was established to meet this need (HUD, 2007; Schwartz, 2010; Wheelock, 2008).

The creation of the FHA is a landmark moment in housing finance policy (Schwartz, 2010). In exchange for protecting qualified mortgage lenders from default and thereby expanding homeownership opportunities to more Americans, the FHA established underwriting criteria for receipt of the insurance (Schwartz, 2010). Other tangible ways in which the FHA shaped housing finance policy include: extending loan terms to 30 years; decreasing monthly mortgage payments, increasing maximum loan-to-value ratios, eliminating the need for many second mortgages, reducing down payments to less than 10%, establishing minimum standards for home construction that were widely adopted, decreasing mortgage interest rates, and ultimately decreasing the cost of homeownership (Gotham, 2002; Schwartz, 2010). FHA-insured mortgages were credited with reviving the anemic housing industry during the late 1930's and early 1940's. Jackson (1985) noted that 40% of all 1940-era mortgages were insured by the FHA. In addition, housing starts increased by 86% during the years 1937-1941 (Schwartz, 2010).

Yet, the economic benefits of the 1934 Act and the FHA were not equally visited upon all American households. Another enduring legacy of 1930s housing legislation, specifically of the FHA, are the bedrock policies that resulted in institutionalized racial segregation that still impact individuals, neighborhoods, and whole communities today (Bond & Williams, 2007; Gotham, 2000a; Radford, 1996). During the 1930s, federal agencies were influenced by interest groups like the National Association of Real Estate boards that wrote into its ethical standards the prohibition of selling homes to minorities in "white neighborhoods" (Williams, Nesiba, & McConnell, 2005). This racist

prohibition was intended to protect predominantly white neighborhoods from perceived “adverse influences” that would be invited by minority neighbors, such as increased crime and lowered property values (Bond & Williams, 2007; Gotham, 2000a; Jimenez, 2010). In its 1936 underwriting manual, the FHA clearly identified its racial bias in evaluating properties,

The valuator should investigate areas surrounding the location to determine whether or not incompatible racial and ethnic groups are present, to the end that an intelligent prediction may be made regarding the possibility or probability of the location being invaded by such groups... The protection offered against adverse changes should be found adequate before a high rating is given [in] the future. (Section 23 of the 1936 *Underwriting Manual* as quoted in Immergluck, 2004, p. 95)

Racism was immediately and comprehensively institutionalized in early housing policy.

For further illustration, the first two New Deal public housing developments were constructed in Atlanta, GA—Techwood Homes and University Apartments. Reflective of New Deal policy, Techwood Homes was segregated for whites only and University Apartments was developed for Atlanta’s population that was demographically black and poor (Lapping, 1973). By 1959, only two percent of FHA-insured loans were issued to people representing minority populations (Levin, 1976).

United States Housing Act of 1937.

In addition to Mary Simkhovich, another housing advocate who influenced Senator Wagner was Catherine Bauer (Bauer, 1934; Martens, 2009; Radford, 1996). Bauer, author of the classic book *Modern Housing*, was concerned about the acceptance of public housing, administered in a bureaucratic manner, solely for people who were low-income (Bauer, 1934; Martens, 2009; Radford, 1996). She advocated for multi-family units, developed by not-for-profits and cooperatives, which would minimize any

distinctions in wealth (Bauer, 1934; Martens, 2009; Radford, 1996). Ultimately, Bauer's vision of public housing, as championed by Senator Wagner, would be thwarted by market interests. A compromised version of her ideals, yet reflective of the positions of the U.S. Chamber of Commerce, National Board of Realtors and the Bankers Association, would be passed in the U.S. Housing Act of 1937 (Martens, 2009; Radford, 1996). The Housing Act of 1937, also known as the Wagner-Steagall Act, contained the following objectives:

provide financial assistance to the states and political subdivisions thereof for the elimination of unsafe and unsanitary housing conditions, for the eradication of slums, for the provision of decent, safe and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority and for other purposes. (Karger & Stoesz, 2006, p. 418)

The major point of contention between Bauer's and Wagner's position and private interest groups rested on whether the federal government would provide a unified, comprehensive national housing program or a two-tiered response that relegated government intervention to low-income families and private interests to the middle- and upper-income (Bauer, 1934; Martens, 2009; Radford, 1996). In addition to the special interests securing their position to limit government intervention into the provision of housing, these forces also won the following concessions: limiting public housing's development costs, and connecting the development of new housing units to the clearance of existing blighted properties (Martens, 2009). Critics argue that these concessions created a self-fulfilling prophesy for government's role in housing development—one of failure (Radford, 1996). The U.S. Housing Act of 1937 resulted in the creation of large-scale, isolated, underfunded housing projects (Hoffman, 1996).

As may be argued with the response to the current economic and housing crisis, the Housing Act of 1937 was created not to address economic hardships facing individuals, particularly individuals of color but was primarily designed to save the home building, real estate and financial industries that were struggling to survive during the Great Depression (Gotham, 2002; Kirp, Dwyer, & Rosenthal, 1995; Martens, 2009; Radford, 1996). This privileged position provided to real estate, building and financial interests, and members of the power elite (Mills, 1959) was the foundation on which national housing policy was constructed and provided the framework for the majority of legislation and programs that followed.

1940's Legislation.

Following comparatively substantial expansion of housing policy during the 1930s, no significant movement would occur on specific housing-related legislation for almost a decade. World War II had captured global attention and economic resources during the early 1940s—resulting in a halt to any non-defense housing construction (HUD, 2007). Yet, following WWII, one of the most significant expansions of homeownership in U.S. history occurred. By the end of the decade, 8.3 million people would become homeowners, representing an increase of 55% from 1940 to 1950 (U.S. Census Bureau, n.d.b)

The Servicemen's Readjustment Act of 1944.

Preceding the end of World War II, anxiety surfaced among planners and economists regarding the return of service people. Worries existed as to whether the labor market would be able to absorb approximately 16 million servicemen and women, with their families representing a quarter of the U.S. population, and if the country could avoid

sliding into another depression following the post-war economic boom (Gordon, 2005; Severo & Milford, 1989). Reflecting this immediate concern, the U.S. Department of Labor referred to the weakened economy and return of millions of service people as a “recipe for disaster,” estimating 12 to 15 million unemployed workers (Fischer, 2004, para. 14; Severo & Milford, 1989). In addition, nearly 60% of the nation’s military expected a significant economic depression following the war (Pedigo, 1994; Severo & Milford, 1989). As noble and beneficial as the Servicemen’s Readjustment Act proved to be—honoring service people for their hard work and sacrifice—its underlying goal was primarily one of pragmatism: incentivizing veterans to remain out of the labor market for as long as possible (Gordon, 2005). Once again, in housing policy, market forces were privileged over the provision of shelter.

Signed into law by President Franklin D. Roosevelt, the Servicemen’s Readjustment Act of 1944 is more commonly referred to as the G.I. Bill of Rights—or, shortened to G.I. Bill (Black & Hyson, 1944; Pedigo, 1994). The G.I. Bill initially provided six benefits to returning service people. Administration of three major provisions were overseen by the Veterans Administration (VA), including: education and training, loan guaranty for a home, farm or business, and a weekly \$20 unemployment payment for up to one year (Coleman, 1945; Pedigo, 1994; Severo & Milford, 1989). Other benefits included: employment placement assistance, military review of dishonorable discharges and highest priority for building materials purposed for constructing VA hospitals (Black & Hyson, 1944; Pedigo, 1994).

Recognizing the leverage of providing a loan guaranty instead of a cash benefit, the nation successfully transitioned from a war to a peace economy through jobs created

in the housing construction industry and related businesses, increased taxes and asset wealth (Pedigo, 1994). Initially, the guaranty provided up to 50% of the loan to a maximum of \$2,000 (Merryfield, 1945; Pedigo, 1994). The original G.I. Bill ended in July 1956 and provided 2.4 million service people with VA-backed home loans (Gordon, 2005). The VA home loan guaranty is credited with expanding the middle class and home ownership (Bennett, 1996; Buckley, 2004; Severo & Milford, 1989). The average income of a worker in 1943 was \$3,000, double the amount in 1939 (Severo & Milford, 1989). Wealth inequality contracted during the period following the war. In 1937, the wealthiest 5% of Americans controlled 23.7% of the nation's wealth—following the war, the percentage of wealth among the top 5% decreased to 16.8% indicating contraction in wealth inequality (Severo & Milford, 1989). Asset-creation was no longer solely available to the wealthiest of individuals. The combination of increased wages and VA-backed home loans provided many families with the opportunity to increase their wealth and move into the middle-class.

Housing Act of 1949.

The goal of providing a “decent home for every American” was considered of paramount importance in passing the Housing Act of 1949 (Gillette, 1983, p. 421). Achievement of this goal would be pursued through the following primary provisions: 1) slum clearance and community development, 2) low-rent public housing, 3) farm housing, and 4) housing research (Monthly Labor Review, 1949; Orlebeke, 2000). Considering the scope of the legislation's provisions, budget allocation and housing need, a critical challenge regarding the efficacy of the policy goal was apparent. For example, the Housing Act of 1949 provided federal assistance for the construction of 810,000 low-

rent housing units over six years (Monthly Labor Review, 1949). According to the 1950 Census, the U.S. population was 154.2 million people and 42.2 million households (U.S. Census Bureau, n.d.a, n.d.c). The poverty rate was 39.5%, indicating a realistic assumption that 60 million people may have benefitted from some level of housing assistance (Iceland, 2012). It is worth noting, given the aforementioned issues of racism in housing benefits, that the poverty rate in 1950 was significantly higher for African-Americans at 76.7% (Iceland, 2012). Although this example is simplistic, it offers a crude illustration of the minimal response to fulfill the legislation's stated goal of providing a "decent home for every American" (Gillette, 1983, p. 421).

The Housing Act of 1949 followed the pattern of 1930s housing legislation: 1) privilege of economic/market concerns, 2) limited eligibility for housing assistance, and 3) a modest commitment to providing affordable shelter (Gillette, 1983; Marcuse, 2001; Monthly Labor Review, 1949; Ransohoff, 1955). It is worth noting the housing research provision of the 1949 act focused on evaluating effective production and design standards—further reflecting economic considerations over shelter (Monthly Labor Review, 1949; Ransohoff, 1955).

Retrenchment, Urban Renewal, and Race

1950's Legislation.

If legislation of the 1930s and 1940s represented a restrained federal expansion of housing policy, policy of the 1950s was primarily characterized by its retrenchment from developing public housing and embrace of "urban renewal" (Flanagan, 1997; Hunt, 2005). Overwhelming attention was devoted to the Housing Act of 1949 as it became the subject of scrutiny and backlash (Flanagan, 1997; Hunt, 2005). Real estate and financial

industry interests, critical of government involvement and competition in housing production, embarked on a divide and conquer propaganda campaign with the goal of undermining the 1949 goal of providing a decent home for every American (Flanagan, 1997; Hirsch, 2000; Orlebeke, 2000). The National Association of Home Builders and the U.S. Savings and Loan League created a media strategy that encouraged their members to place ads in local newspapers with the divisive tagline, “Can *you* afford to pay somebody else’s rent?” (Hunt, 2005, p. 193). Such efforts were predicated on the enduring Social Darwinistic dichotomies of deserving vs. underserving, work ethic vs. laziness, provider vs. freeloader, which were easily manipulated with public housing programs that had selective rather than universal eligibility—people were encouraged to view the 1949 Act as a zero-sum proposition with someone gaining at their expense.

The lobbying and grassroots efforts of these business interests were rewarded with local referenda impeding new construction of public housing units in major cities—including Los Angeles, Chicago, Detroit and Philadelphia (Hunt, 2005). Divisive tactics to undermine public housing initiatives were not limited to economic class distinctions but also extended to racial bias (Hunt, 2005; Hirsch, 2000). The 1950s political climate could easily be categorized as hostile to federal housing policy, in general, and public housing, in particular.

Housing Act of 1954.

The Housing Act of 1954 essentially repealed and replaced the 1949 Act. Focus was placed on urban renewal and commercial development of areas described as “blighted” and “slums” (Dobelstein, 2003; Flanagan, 1997). The racial undertones of this policy resulted in “urban renewal” being commonly and derisively equated with “black

removal” (Dobelstein, 2003; Hirsch, 2000; Jimenez, 2010). Due to areas being deemed inappropriate for new construction, inner city communities were instead targeted for commercial development as a way to guard against further loss of government funds (Dobelstein, 2003; Flanagan, 1997). This fundamental shift from providing a “decent home for every American” to “urban renewal” resulted in the removal of 243,000 housing units from 1949 to 1963 (Karger & Stoesz, 2010). These units were replaced with 68,000 units, of which 20,000 were designated for low-income families, and fell significantly short of the 1949 goal of constructing 810,000 low-rent housing units over six years (Dobelstein, 2003; Karger & Stoesz, 2010; Monthly Labor Review, 1949).

Housing Act of 1959.

The Housing Act of 1959 also represents a significant change in national housing policy. The Act created Section 202, which is the oldest and largest elderly housing program (Schwartz, 2010). There are two main delivery features of the program: 1) not-for-profit organizations may access development funds to cover construction, rehabilitation and/or acquisition of a property and, 2) rental assistance contracts in which subsidies are provided to a private landlord to cover the difference between 30% of a tenant’s adjusted income and total costs of a rental unit (HUD, n.d.d; Schwartz, 2010).

The program has experienced mixed results. By 2009, it was credited with producing more than 300,000 affordable rental units for people who are elderly or nonelderly disabled yet the program only reaches about 11% of people who are eligible (Schwartz, 2010).

1960's Legislation.

The 1960s represent a time of significant social and cultural change in the U.S.—housing policy offers no exception. Housing policy was influenced by the Civil Rights movement and the assassinations of President John F. Kennedy, Senator Robert Kennedy and Martin Luther King, Jr. Not content to wait until the federal government responded to protracted inequality, a number of states passed fair housing legislation. Finally, there was movement at the federal level to address past racial injustice, remedy previous failed and misguided attempts at urban renewal, and stem increasing social unrest (Collins, 2006; Ferguson & Dickens, 1999; Levin, 1976).

Department of Housing and Urban Development Act of 1965.

In 1965, as part of President Lyndon Johnson's Great Society, the U.S. Department of Housing and Urban Development was established as a cabinet-level department to coordinate and oversee most of the nation's housing and urban community development programs (HUD, n.d.b). The creation of HUD resulted in the dismantling of the Housing and Home Finance Agency (HHFA), which had coordinated federal housing agencies and programs following World War II (National Archives, n.d.). Two primary purposes of HUD were to support community development efforts and increase access to affordable housing (HUD, n.d.b). One of HUD's first initiatives expanded homeownership opportunities to low-income individuals through a leased-housing program of privately owned units (HUD, n.d.e).

Demonstration Cities and Metropolitan Development Act (Model Cities) of 1966.

In response to increasing urban disinvestment, social unrest, and calls for equal access to economic opportunity, President Lyndon Johnson declared a War on Poverty in

1964 (Ferguson & Dickens, 1999; Green & Haines, 2008). The Demonstration Cities and Metropolitan Development Act, otherwise known as “Model Cities,” was passed in 1966 as a part of Johnson’s anti-poverty and urban renewal efforts known as the Great Society (Daguerre, 2011; Ferguson & Dickens, 1999). Similar to past efforts, Model Cities hoped to provide economic stimulus for jobs and ameliorate debilitated housing and blighted neighborhoods (Ferguson & Dickens, 1999; Karger & Stoesz, 2010). A departure from past federal efforts, Model Cities embraced a geographically targeted and time intensive approach (Karger & Stoesz, 2010). In addition, it emphasized local planning and control and included supportive social services (Ferguson & Dickens, 1999; Green & Haines, 2008).

Model Cities legislation underwent significant changes in the policymaking process. At time of implementation, the program was modified to serve twice the number of communities as recommended, receive 50% less funding than had been initially requested, and achieve its goals in one-third of its suggested timeframe (Ferguson & Dickens, 1999). Beyond potentially reducing people moving out of targeted neighborhoods, the long-term impact of the Model Cities initiative was minimal (Schechter, 2011).

Housing Act of 1968.

Although Model Cities was not designed to replace housing units removed during prior urban renewal efforts, the Housing Act of 1968 attempted to address the shortage of affordable units. The 1968 Act developed two programs that provided affordable mortgages (Section 235) and rent subsidies (Section 236) (HUD, n.d.b). Section 235 provided a 1%, FHA-subsidized mortgage to eligible home buyers (Orlebeke, 2000).

Similarly, Section 236 encouraged below-market rents for low- and moderate-income renters through a 1%, FHA-subsidized mortgage to multi-family developers (Orlebeke, 2000). The purpose of the 1968 Act was to incentivize lenders and landlords to provide housing to people with lower incomes than were traditionally served by the private market. More specifically, targeted populations for Section 235 and 236 programs were poor and inner city minorities—two groups who had historically been excluded from housing opportunities (Gotham, 2000b).

The 1968 Act is a landmark piece of legislation for four primary reasons: 1) shifted emphasis away from providing public housing to incentivizing private sector development of affordable homeownership and rental units through government subsidies, 2) encouraged the FHA to amend its underwriting standards in order to issue mortgages to people with lower incomes, 3) established the Government National Mortgage Association (Ginnie Mae) to provide government guaranteed mortgage securities to lower the risk to lenders and 4) converted Fannie Mae into a private, government-sponsored enterprise (GSE) (Gotham, 2000b; HUD, n.d.a, n.d.b; Orlebeke, 2000). Unlike its legislative predecessors, the 1968 Act was fully funded by Congress (Orlebeke, 2000).

Taking a broad perspective on the effectiveness of Section 235, it appeared to be successful. Housing starts for subsidized units peaked at 197,000 units in 1969 and grew to 431,000 in 1970 with all indications for continued growth (Orlebeke, 2000; Schwartz, 2010). Yet, one major intention of the 1968 Act was to remedy the racial inequality that had pervaded previous housing legislation. In this area, it is questionable whether the 1968 Act was as effective as overall housing production numbers indicate. Some

evidence suggests the 1968 Act reinforced racial segregation by inadvertently encouraging “white flight” of low-income whites to the suburbs and limiting the opportunity for African-Americans, who remained in the inner city, to accumulate wealth due to depreciating home values (Gotham, 2000b). These underlying conditions may be attributed to panic selling, foreclosures, and inner city abandonment occurring during this time period (Gotham, 2000b).

Federal Fair Housing Act of 1968.

One week following the assassination of Martin Luther King, Jr., the Federal Fair Housing Act of 1968 was passed as Title VIII of the Civil Rights Act (HUD, n.d.a, n.d.b; Schwartz, 2010). The Fair Housing Act was an attempt to remedy the negative outcomes of housing segregation by prohibiting discrimination against minorities in homeownership and rentals and including enforcement provisions for HUD (HUD, n.d.b; Reed, 1991). Despite inadequate and poorly specified enforcement actions, the Fair Housing Act signaled a paradigm shift concerning the federal government’s perspective on racial discrimination and segregation (Jimenez, 2010; Schwartz, 2010).

After studies indicated widespread housing discrimination was still a frequent occurrence, the 1968 Act was strengthened in 1988 to enhance the federal government’s enforcement role, broaden inclusion in protected classes, and increase penalties against violators (Galster & Godfrey, 2005; Jimenez, 2010; Reed, 1991; Schwartz, 2010). Even with this expanded authority and protections, housing discrimination continues to be pervasive (Galster & Godfrey, 2005). Annually, an estimated 2 to 10 million cases of housing discrimination occur in the U.S. (Feagin, 1999).

1970's Legislation.

In the early 1970s, concerns arose that housing programs were not reaching individuals most in need were not fairly distributed and were not cost effective (Welfeld, 1977). Following the release of critical reports on federal housing programs, newly elected President Nixon imposed a moratorium on all subsidized programs in 1973 (Orlebeke, 2000; Welfeld, 1977). Congress and the Nixon administration responded by introducing vouchers and state block grants. In addition to the policy direction pursued by Nixon, housing legislation in the late 1970s, once again, focused attention on issues of discrimination.

Housing and Community Development Act of 1974.

The comprehensive Housing and Community Development Act of 1974 introduced the concept of devolution in the form of vouchers and block grants that would eventually characterize the role of federal housing involvement (Dobelstein, 2003; Orlebeke, 2000; Welfeld, 1977). Two major programs were established in the 1974 Act: 1) Community Development Block Grants (CDBG) and 2) Section 8 (HUD, n.d.a, n.d.b).

CDBG encompasses many elements and programs of previous urban renewal and community development legislation. Flexibility was provided to states through a wide variety of eligible activities with the goal of providing “decent housing and expanding economic opportunities for low-income persons” (Jimenez, 2010, p. 436). Eligible CDBG activities include urban renewal, neighborhood development, model cities, water and sewer projects, neighborhood and facility grants, public facilities, home rehabilitation (but not *new* construction), urban beautification and historic preservation (Karger & Stoesz, 2010). Federal agencies retained responsibility for setting spending priorities and

required local jurisdictions to develop a comprehensive plan based upon the needs of low-income residents (Karger & Stoesz, 2010).

Section 8 provides a voucher, issued by a local housing authority, to an income-eligible individual (Jimenez, 2010). The voucher is used to subsidize the difference between the fair market rent a landlord can demand and the rent a low-income person is able to pay (Orlebeke, 2000). Vouchers are attractive as they rely on existing units rather than requiring investment in a large-scale public housing development, provide some level of choice for eligible individuals, and integrate people with low-incomes into society (Jimenez, 2010; Schwartz, 2010). Although these are positive features, significant limitations also exist with the Section 8 program. Individuals must be able to locate an eligible apartment and a landlord who is willing to accept the voucher. Simply holding a voucher does not ensure availability and access to Section 8 housing. In 2000, approximately 30% of eligible households were unable to utilize their voucher (Jimenez, 2010).

Home Mortgage Disclosure Act of 1976 & Community Reinvestment Act of 1977.

The Community Reinvestment Act (CRA) was implemented in 1977 to curtail two financial lending practices impacting minority, low-moderate income (LMI), inner city, rural and older neighborhoods: 1) redlining and 2) capital export (Marisco, 2005). Redlining was a practice used by financial institutions where red lines were drawn on maps around neighborhoods perceived as being too risky for loans. Capital export, on the other hand, was essentially an exploitative banking practice where financial institutions would “export the deposits of one neighborhood’s residents to other communities and make loans in those other communities despite local lending opportunities” (Marisco,

2005, p. 13). Senator Proxmire, a major proponent of the CRA legislation, illustrated the extent of these two issues noting that banks located in Brooklyn invested 11% of their deposits in the city, banks located in Washington D.C. invested 10% of their deposits in the city, and banks in other major cities like Los Angeles, Chicago, Cleveland and St. Louis mirrored this deposit/lending ratio (Marisco, 2005). The outcome of these practices resulted in lack of credit available to particular areas not determined by an individual's or business's ability to repay a loan but simply assessed on where individuals and businesses were located. The result of such practices was the failure to meet "local credit needs for housing, small businesses, and farms to the detriment of these communities" consistent with safe and sound financial practices (Marisco, 2005, p. 13). Urban and rural areas alike suffered from disinvestment, while the deposits made by their citizens were used to extend credit in the suburbs. Prior to the passage of CRA, a study conducted by the Senate Committee on Banking, Housing, and Urban Affairs found that one bank located in Washington, D.C. developed a policy forbidding any home mortgage loans in the city in which it derived deposits for making such loans (Marisco, 2005).

CRA aimed to stop these practices by using both prohibitive and affirmative features (Marisco, 2005). Credit allocation, which essentially consists of a lending quota system, was not included in the legislation (Marisco, 2005). Yet, the goal of CRA was explicit in prohibiting redlining. Regulatory agencies were also given oversight authority to examine financial institutions, which affirmatively used measures of loan performance to decide bank expansion applications (Marisco, 2005). In addition to CRA, a companion piece of legislation, the Home Mortgage Disclosure Act (HMDA), was passed to require financial institutions covered by CRA to disclose the location of every loan (Schwartz,

2010). The purpose of this legislation was to support CRA's intent for evaluators to assess a bank's lending performance.

For the last 30 years, CRA has been both heralded as an effective tool to provide credit to economically marginalized communities and attacked as being an affront to free market principles (Barr, 2005; Belsky, Schill, & Yezer, 2001; Enterprise Foundation, 1997; McKinley, 1994). The Wall Street economic meltdown in 2008 provided an opportunity for critics to charge that CRA was one of, if not, the primary cause(s) of the significant increase in foreclosures. The overwhelming evidence disputes that CRA, in any substantial way, caused the foreclosure crisis the US is currently facing (Goldstein, 2004; HUD, 2009; Quercia, Stegman, & Davis, 2007; Schloemer et al., 2006).

Devolution, Deregulation and Ownership Society

1980's Legislation.

For forty years following the Great Depression, the federal government engaged in a piecemeal response to housing. During that same time, financial regulations put in place to guard against another large-scale economic crisis remained largely untouched. The 1980s would continue the pattern with one of those trends and take a sharp turn with the other. The federal approach to housing followed the path of further devolution and retrenchment. Burchell and Listokin (1995) explain the consequences of this decision, "From 1980 to 1990, new budget authority for subsidized housing in the United States fell by 60%, from roughly \$25 billion to \$10 billion, and annual subsidized housing starts plummeted by almost 90%, from 175,000 to 20,000" (p. 559). Further, and perhaps more significantly, financial deregulation would begin in the 1980s that would arguably lay the groundwork for the Great Recession of 2008.

Elimination of Regulation Q, 1980 & Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

In the wake of the Great Depression, the federal government established a system for thrifts, or savings and loans institutions which existed in a highly regulated market with few investment options and full insurance provided by the government (Gilbert, 1986; Schwartz, 2010). Although much attention was directed to the FHA and its financing of mortgages following the Great Depression, thrifts issued the majority of mortgages between the late 1930s and 1970s (Schwartz, 2010). Between FHA and thrifts, the mortgage finance system remained stable.

Beginning in 1980, changes were introduced that fundamentally altered the thrift system and mortgage financing. The Depository Institutions Deregulation Committee (DIDC), established by the Monetary Control Act of 1980, was charged with dismantling Regulation Q over a period of six years (Gilbert, 1986; HUD, 2009). Regulation Q imposed maximum interest rates that thrifts paid out on deposit accounts (Gilbert, 1986; Schwartz, 2010). Since thrifts were primarily in the business of issuing mortgage loans, customers' deposit accounts served as a source for this capital. The purposes of imposing interest-rate ceilings were to: 1) encourage thrifts to increase loans in local communities instead of investing in larger banks believed to use deposit funds for risky speculative investments, 2) limit competition for deposits with the goal of increasing thrift profits, and 3) provide a reliable pool of deposits to decrease likelihood of thrifts seeking higher profits in riskier investments (Gilbert, 1986). The DIDC found that Regulation Q was not able to fulfill its promise and determined interest rate ceilings "created problems for depository institutions, discriminated against small savers, and did not increase the

supply of residential mortgage credit” (Gilbert, 1986, p. 35). Regulation Q was repealed in 1986, which opened up thrifts to offer market-rate interest products to depositors (Gilbert, 1986).

The repeal of Regulation Q and other changes were not enough to stabilize thrifts in a period of inflation. The federal government provided more than \$157 billion to bail-out the industry in 1989 in the form of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (Federal Deposit Insurance Corporation [FDIC], 2012; Schwartz, 2010). The enduring impact of FIRREA was a decreased role for thrifts and an increased one for the secondary mortgage market (Schwartz, 2010).

Low Income Housing Tax Credit of 1986.

The Low-Income Housing Tax Credit (LIHTC) was passed as part of the Tax Reform of 1986 and surpasses the number of rental units provided through the financing of public housing (Buron, Nolden, Heintzi, & Stewart, 2000; HUD User, 2012). The LIHTC provided a mechanism for the government to incentivize private developers to create low-income housing without direct allocation of federal funds. Overseen at the federal level by the Internal Revenue Service (IRS), LIHTC provides designated state and local agencies authorization to allocate tax credits to private not-for-profit and for-profit housing developers (Buron et al., 2000; HUD User, 2012). In turn, the developers then sell the credits to investors, who are attracted to invest in low-income rental housing development because the credit reduces the investors’ federal tax liability by one dollar for every tax credit purchased (Orlebeke, 2000). The credit is available to investors for 10 years and the LIHTC property must provide occupancy to low-income renters for a 15-year minimum (Schwartz, 2010).

Production numbers demonstrate a story of success. More than 1.6 million rental units, or about one-sixth of all multi-family units built through 2006, were constructed using LIHTC (Schwartz, 2010). During the years 1995 and 2010, an average of roughly 1,400 projects, representing 107,000 rental units, were made available each year (HUD User, 2012). In addition, LIHTC leverages up to \$6 billion of private investment annually (Karger & Stoesz, 2010).

Challenges are also evident in the LIHTC program. An enduring criticism of the program is its high transaction costs (Orlebeke, 2000). Given it is a tax-related credit and this requires multiple layers of complex financing and strict adherence to income and other requirements, developers frequently hire attorneys, accountants and other professional consultants to assist in ensuring compliance (Orlebeke, 2000). It is estimated that, at least in the early days of the program, nearly 20 to 30% of the allocation was not directed toward development but paid attorney, accountant, and consultant fees (Orlebeke, 2000).

More recently, the program has been challenged by the 2008 economic crash. Due to losing billions of dollars in the mortgage crisis, banks and GSEs—including both Fannie Mae and Freddie Mac—stopped investing in tax credits (Schwartz, 2010). With the primary investors gone, tax credit projects were in jeopardy. In 2007, tax credit equity investments attracted \$9 billion dollars—in 2009, developers were expecting to award only \$4 billion in credits (Schwartz, 2010).

McKinney-Vento Homeless Assistance Act of 1987.

In response to increased homelessness during the 1980s, the first major federal legislation to focus on the problem was passed in 1987 in the form of the McKinney-

Vento Homeless Assistance Act (HUD, n.d.a; Wright, 1989). The Act provides block grant funding for a wide range of programs related to homelessness, including: emergency shelter, transitional housing, job training, health care, mental health care, substance abuse, education and permanent housing (Jimenez, 2010). Although some research has demonstrated the effectiveness of the program in meeting permanent housing and other needs of people who are homeless (Anderson, Janger, & Panton, 1995; Cousineau, Wittenberg, & Pollatsek, 1995; Fuchs & McAllister, 1996), criticism also exists regarding the paucity of funds available to address the scope of the challenge (Jimenez, 2010; National Low-Income Housing Coalition [NLIHC], 2006). According to HUD's most recently released point-in-time count, which was conducted in 2013, there were 610,042 people who were documented as homeless (Henry, Cortes, & Morris, n.d.). Twenty-three percent of people documented as homeless consist of youth under the age of 18 (Henry et al., n.d.).

1990's Legislation.

Housing policy in the 1990s followed previously established trends: 1) removing public housing at a faster pace than it was replaced, 2) providing publicly-backed incentives to encourage private development of low-income housing, and 3) funding housing programs at an inadequate level to meet the need. Housing legislation in the 1990s also deviated from these trends in some noteworthy ways: 1) expanded opportunities for people of low- and moderate-incomes to become homeowners, 2) acknowledged housing and supportive service needs of people who were low-income and diagnosed with HIV/AIDs, and 3) placed emphasis on using housing policy to promote workfare (Daguerre, 2011; HUD, n.d.a, n.d.b; Jimenez, 2010; Schwartz, 2010). Further,

financial deregulation continued throughout the 1990s—ultimately resulting in the repeal of the Glass-Steagall Act (Carow, Kane, & Narayanan, 2011; MacDonald, 2005) and the introduction of complex and exotic mortgage financing that would be cited as a contributing factor in the subsequent housing and economic crises (HUD, 2009; Schwartz, 2010).

Cranston-Gonzalez National Affordable Housing Act of 1990.

The Cranston-Gonzalez National Affordable Housing Act of 1990 was comprehensive in scope and included the following programs: 1) HOME Investment Partnership Program (HOME), 2) Housing Opportunities for People with AIDS (HOPWA), 3) Shelter Plus Care Programs, 4) Section 811 Supportive Housing for Persons with Disabilities Program, and 5) the HOPE programs (HUD, n.d.a, n.d.b).

Although the scope of the 1990 Act was comprehensive, budget allocations fell short of meeting the needs of people eligible for the programs (Schwartz, 2010).

Despite persistent challenges with provision of adequate federal funding, the passage of Cranston-Gonzales provided an opportunity for people of low- and moderate-incomes to realize more benefits from housing than shelter alone. Research has demonstrated that individuals who own their own homes not only personally benefit psychologically and economically, but also positively impact the communities in which they live (Miller-Adams, 2002; Schneider & Tufano, 2007; Sherraden, 1991). In addition, in a democratic capitalist political economy that privileges property ownership, tax laws and other incentives attached to homeownership were developed that primarily benefitted middle and upper income individuals. Sherraden (1991) first began articulating ideas of asset development and explained how middle class people are afforded substantial

opportunities to build wealth and assets—noting the federal subsidy provided through the home mortgage tax deduction exceeds other social welfare spending (Sherraden, 1991). The home mortgage tax deduction continues to provide one of the largest federal subsidies. Homeownership, as offered through the 1990 Act, has the potential to benefit people with low-incomes in similar asset-building ways. Yet, as the subsequent housing and economic crisis would demonstrate, homeownership is not without its limitations either.

Housing and Community Development Act of 1992.

The Housing and Community Development Act of 1992 is most notable for the attention it gave to remediating risks associated with GSEs. Upon passage of the legislation, President Bush (1992) emphasized the importance he placed on providing a regulator within HUD to monitor capitalization and other financial activities pursued by the GSEs.

Quality Housing and Work Responsibility Act of 1998.

The Quality Housing and Work Responsibility Act of 1998 [QHWRA] may be considered a companion piece to the comprehensive overall of the public welfare system addressed in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 [PRWORA]. More directly, QHWRA may be considered the “ending public housing as we know it” to PRWORA’s “ending welfare as we know it.”

QHWRA embraced devolution and workfare ideology woven into the legislative fabric of PRWORA. QHWRA shifted its responsibility for operating publicly assisted housing to each local Public Housing Authority (PHA) (Hunt, Schulhof, & Holmquist, 1998). With resident input, local PHAs were now tasked with establishing rents,

admission guidelines and social service programs (Hunt et al., 1998). In addition, QHWRA directly attached work requirements to receipt of housing benefits (Hunt et al., 1998).

Financial Services Modernization Act of 1999.

At the end of the 1990s, a substantial shift occurred in financial deregulation. In 1999, President Clinton signed the Financial Services Modernization Act of 1999 (Carow et al., 2011; MacDonald, 2005). This Act, also referred to by the name of its authors—Gramm-Leach-Bliley, repealed Glass-Steagall (MacDonald, 2005). Glass-Steagall had endured for 70 years following its passage after the Great Depression. With the repeal of Glass-Steagall, commercial banks were no longer restricted from engaging in investment activities with their customers’ deposits. Grumet (2009) addresses the concerns of this disappearing consumer protection:

Banks were able to take on risk because they were playing with house money—your money, in the form of your deposits in their institutions. If an investment gamble doesn’t pan out, they don’t have to cover the loss; your deposits are protected by the federal government. If they win big, they get to keep all the winnings—realizing profits that were made off your monies. You share some of the risk and none of the reward. (p. 7)

Gramm-Leach-Bliley removed the 70-year consumer protection “wall” that stood between the commercial and investment sides of financial institutions.

The Act of 1999 was followed by another piece of financial deregulation the following year, the Commodity Futures Modernization Act of 2000 (Friedman & Friedman, 2010; Stout, 2011). The 2000 Act would make it permissible for “over-the-counter” investment derivatives, including credit default swaps, to be unregulated (Friedman & Friedman, 2010; Stout, 2011). These newly created unregulated investment vehicles were the genesis of the securitization of mortgages (residential mortgage backed

securities) and a contributing factor to the economic crash of 2008 (Friedman & Friedman, 2010; Schwartz, 2010; Stout, 2011).

Summary

The historical context of federal housing policy demonstrates a clear deference for the private market. The real estate, construction, and financial industries shaped the foundation of national housing policies that was responsible for overseeing their behavior. This phenomenon is one explained by Lindblom's (1977) theory on the privileged position of business. Lindblom (1977) contends that because our government is dependent on the success of the economy, public actors turn over the role of governance to business. Lindblom (1977) further explains, "Because public functions in the market system rest in the hands of businessmen, it follows that jobs, prices, production, growth, the standard of living, and the economic security of everyone all rest in their hands" (p. 172). Government actors defer their knowledge and authority to that of the for-profit business sector. The underlying issue here is that this pseudo-government of business interests undermines the popular sovereignty of the public. hooks (1989) explains this behavior as "politics of domination" that:

...refers to the ideological ground that they share, which is a belief in domination, and a belief in the notions of superior and inferior, which are components of all of those systems. For me it's like a house, they share the foundation, but the foundation is the ideological beliefs around which notions of domination are constructed. (p. 175)

A powerful elite has replaced the representative government, and accountability to the voice and will of the people has been compromised (Lindblom, 1977; Mills, 1959).

From the inception of housing policy, business interests have benefitted from this deference provided to market interests often to the detriment of vulnerable individuals.

The Community Reinvestment Act of 1977 (CRA) directly challenged this privileged position of the financial industry. In so doing, opponents of CRA felt that it ultimately confronted the political-economic system of democratic capitalism on which the U.S. government is based. Supporters of CRA refuted this claim by explaining that the legislation was effectively an appropriate quid pro quo relationship. In exchange for a bank's charter, which was also a way for the government to protect banks from competition, CRA stipulated those financial institutions should be required to make loans in the areas in which they were granted the charter (Marisco, 2005). In effect, CRA opponents were insisting that individuals be subject to a laissez-faire economy, while they were content with government regulation being used to reduce market competition. This hypocrisy underscores that these interests were less concerned about preserving the principles of a free market economy and more interested in expanding their own political power at the expense of individuals and neighborhoods of color and low-incomes. In actuality what these interests are advocating is a "market-centered ideology of privatism" characterized by an "underlying commitment by the public sector to help private business grow and prosper" (Gotham, 2000a, p. 295). Some might define this benefit as corporate social welfare.

Now that it is understood that CRA challenged, and still aims to, the status quo of powerful economic interests, a political-economic explanation starts to arise for why CRA was blamed for the foreclosure crisis. If the public sector exists to help private business grow and prosper as Gotham (2000a) suggests, and a greater factor on the foreclosure crisis is related to tremendous growth in the loosely regulated, high-risk, exploitative subprime market on which a good number of Wall Street executives and

investors made a tremendous amount of money, then one that benefitted from that system might want to protect it (Lord, 2005). Subprime loans could be described as the freest of markets, the ‘Wild Wild West’ of mortgage financing—one exotic subprime loan product was called NINJA, which stood for No Income, No Job, No Assets (Friedman & Friedman, 2010). Admitting that deregulation, enhanced by Wall Street’s desire to maximize returns, may actually be the culprit in the foreclosure fiasco means that the current regulations governing the real estate market may need to be strengthened. Elites with something to lose—money, power, status—chose to use false economic arguments to link the increase in foreclosures with a policy designed to increase economic justice. A red herring was used to throw the public off the trail of the real culprit, which was a large-scale, systemic economic crisis due to the deregulation of financial markets.

Chapter II. Literature Review

Epistemological Stance: Homeownership Research

Before a summary of the literature concerning foreclosure's impact on communities is presented, it is helpful to articulate how knowledge concerning effects and perceived benefits of homeownership have been primarily constructed over the relatively short history in which they have been studied. Harrington (2005) succinctly defines epistemology as "the theory of knowledge, or the modes and methods by which knowledge is obtained" (p. 320). Epistemologies are influenced by one's paradigm—or, as explained by Kuhn (1970), "the entire constellation of beliefs, values, techniques, and so on shared by members of a given community" (p. 2). Research on the effects of homeownership is characterized by two distinct epistemological and paradigmatic perspectives, dominantly by post-positivism and minimally by constructivism (Lincoln & Guba, 2000).

Post-positivism is an extension of an earlier developed epistemology, positivism (Glesne, 2006; Lincoln & Guba, 2000). According to Guba (1990), the purpose of positivistic inquiry is to "predict" and "control" phenomena (p. 19). The epistemological stance of positivism privileges the scientific method, which seeks to verify an objective reality by testing hypotheses through carefully crafted and validated measures (Guba, 1990; Harrington, 2005; Ritzer, 2008). Pure positivism posits an objective reality with irrefutable facts and laws, whereas, post-positivism acknowledges the influence of history and political contexts on knowledge construction and probable facts and laws (Glesne, 2006; Lincoln & Guba, 2000). Overwhelmingly, housing literature reflects a post-positivist perspective. The most robust body of housing knowledge focuses on

quantifying outcomes, including unit production, economic costs, and benefits (Elliott, Fergus, & Friedline, 2012; Galster, 1983; Oliver & Shapiro, 1995; Rohe & Stewart, 1996; Shobe & Boyd, 2005) and normalized measures of individual and societal well-being (Blum & Kingston, 1984; Fogel, Smith, & Williamson, 2008; Green & White, 1997; Harkness & Newman, 2003; Hunter, 1975; Kasarda & Janowitz, 1974; Rohe & Stegman, 1994a, 1994b; Steinberger, 1981).

Conversely, Guba (1990) explains that a social constructivist perspective rejects the notion of an objective reality, “Constructivism thus intends neither to predict and control the ‘real’ world nor to transform it but to reconstruct the ‘world’ at the only point in which it exists: in the minds of constructors” (p. 27). Therefore, researchers privileging a constructivists’ lens engage in a process of hermeneutics and dialectics (Guba, 1990; Harrington, 2005; Ritzer, 2008). Hermeneutics describes the act of presenting an “individual’s constructions as accurately as possible, while the dialectic aspect consists of comparing and contrasting these existing individual constructions (including the researchers’) constructions so that each respondent must confront the constructions of the other and become comfortable with them” (Guba, 1990, p. 26). Where post-positivism is concerned with predicting and control knowledge, social constructionists seek to understand and reconstruct meaning (Lincoln & Guba, 2000). A less developed body of housing research adopts a constructivist perspective—focusing on the deep meaning and symbols people associate with the social construction of “home” (Clapham, 2010; Doyle, 1992; Dunn, 2006; Mest, 2008; Ronald, 2008) and the lived experiences associated with accessing appropriate shelter (Ben-Yoseph, 2011; Dumbleton, 2011; Dupuis & Thorns, 1998; Jones, Newman, & Isay, 1997; Liebow, 1993).

Empirical Knowledge: Foreclosure's Impact on Community

Contextual Background.

Foreclosures are the result of a borrower defaulting on a home mortgage loan, typically defined as being more than 90 days delinquent on their mortgage payment (Pew Charitable Trusts, 2008). Following the 2006 housing crash and subsequent economic recession, the foreclosure rate increased dramatically with particular states being hit hard (see Table 1). In fact, by the end of 2007, seven states accounted for more than half of the entire nation's foreclosed and seriously delinquent (90 days) loans (Pew Charitable Trusts, 2008). By 2008, 1.2 million homeowners faced foreclosure with projections of up to 8 million more to occur before the nation hit the bottom of the housing crash (Mallach, 2009).

Table 1 Ten states with highest foreclosure rates in 2007: Projected foreclosures and impacts

State	Est. # of foreclosures & % of all U.S. foreclosures, Dec. 2007	Est. foreclosures from subprime loans, 2005-06	# of neighboring homes experiencing devaluation	Decrease in house value from foreclosure effect (millions)
California	228,133 (14%)	355,682	7,505,584	\$107,196
Florida	186,093 (12%)	194,796	3,667,230	\$35,856
Michigan	91,081 (6%)	79,893	1,414,411	\$3,798
Ohio	91,188 (6%)	85,618	1,392,990	\$2,850
Texas	99,495 (6%)	149,661	2,283,390	\$4,923
New York	61,978 (5%)	124,601	3,552,642	\$65,136
Georgia	67,126 (4%)	83,686	630,218	\$1,817
Illinois	69,251 (4%)	87,918	2,536,938	\$27,297
Indiana	49,069 (3%)	48,034	544,991	\$959
Pennsylvania	52,069 (3%)	76,055	1,684,475	\$6,582

(Pew Charitable Trusts, 2008, pp. 10 & 12)

Several factors have been cited for the housing meltdown and financial crisis, including subprime mortgages, securitization of high-risk loans, predatory lending

products, and a weakening economy (Goldstein, 2004; Quercia et al., 2007; Schloemer et al., 2006). As previously mentioned in the historical analysis, when the foreclosure crisis deepened, critics of financial regulation blamed the Community Reinvestment Act of 1977 for the housing crash and Great Recession (HUD, 2009).

The overwhelming evidence disputes that CRA, in any substantial way, was a contributing factor to the connected crises (Gupta, 2012; HUD, 2009; Ocaya, 2012). First, timing is an issue. CRA was enacted in 1977, yet, the proposition of CRA critics is the legislation planted a metaphorical financial bomb set to explode over 30 years later. CRA has no history of increasing foreclosures over its three decade existence (HUD, 2009). Further, changes were made to CRA in the years preceding the economic crisis that eroded the scope of the legislation (Schwartz, 2010).

Second, critics charge CRA forced banks to provide loans to individuals who were credit risks; however, part and parcel to CRA is the implicit notion that banks should use safe and sound underwriting (Barr, 2005). Further, lending to low-income borrowers or communities is similar in profitability and performance for CRA governed banks as their lending portfolios for non-CRA loans (Kroszner, 2008).

Third, critics claim CRA lending activity makes up a considerable amount of units involved in the housing crash. The data is extremely compelling in disputing this point. Although foreclosures are typically clustered in neighborhoods with primarily minority populations, characterized by modest incomes, the defaults are often the result of subprime loans (Pew Charitable Trusts, 2008). Subprime loans are targeted to consumers that are considered ‘high-risk,’ usually characterized by low-incomes or poor credit (Quercia et al., 2007). In exchange for a lender loaning to an individual defined as

‘high risk,’ subprime loans have higher interest rates and other fees as a way to recoup anticipated losses (Apgar & Duda, 2005). Housing advocates refer to some of these loan terms as predatory as they are seemingly designed to strip equity from a homeowner (Quercia et al., 2007). The subprime market became a major provider of home mortgage loans over the last two decades. From 1993 to 2005, subprime originations increased from a market share of \$20 billion to nearly \$625 billion (Joint Center for Housing Studies, 2006b; Quercia et al., 2007; Williams et al., 2005). The subprime market also became a significant originator of foreclosed loans. One estimate indicates subprime loans may account for ten times the share of foreclosures as prime loans (Apgar & Duda, 2005). Because of the association of increased foreclosures with minority and low-income neighborhoods, one may also erroneously assume that the result of subprime lending has a relationship with CRA. In fact, only 6% of all subprime loans were originated by lenders regulated by CRA to lower-income individuals or communities in their CRA assessment areas (Kroszner, 2008). The majority of subprime lenders simply fall outside of the current regulatory scope of the CRA.

Yet, an increase in subprime activity in underserved communities, which are typically defined as low-income and minority, does not mean the loan activity was necessarily predatory since subprime lending may be used by individuals who do not meet mainstream credit standards of nonprime loans to finance purchase of a home, to improve an existing home, or to refinance their mortgage (Williams et al., 2005). Subprime lending becomes predatory when specific communities are targeted, irrespective of credit risk, resulting in discriminatory lending practices. Unfortunately, the research indicates that residents of predominantly minority neighborhoods, at every

income and credit history level, are serviced more by subprime lenders than residents of majority white neighborhoods (Marsico, 2005; Williams et al., 2005). It is estimated that between 30 and 50% of subprime borrowers could have qualified for a less expensive, more favorably termed prime loan (Mallach, 2008). This finding has significant implications for predominantly low-income and minority communities as the rate of foreclosures, mostly subprime and concentrated in particular geographies, continues to increase. One estimate is that 2.2 million subprime home loans made during the housing bubble have already failed or will end in foreclosure (Schloemer et al., 2006).

Despite the damage caused by predatory subprime loans, affluent populations did not escape foreclosure. Foreclosure for properties valued at \$1 million dollars or more increased 50% from 2006 to 2007 (Marr, 2008). Further illustrating the universality of the foreclosure crisis, from 2006 to 2007, foreclosures increased 88% for homes values from \$500,000 to \$999,999 (Marr, 2008). Further, 60% of subprime loans were originated for middle and upper-income borrowers and communities (Kroszner, 2008).

Even though all socio-economic segments are experiencing historic foreclosure rates, the impact on low- and moderate-income households is most significant. One analysis of the current housing market demonstrates the lop-sided effect in net worth, wealth inequality, homeownership, and home equity. Net worth, defined as wealth and representing the difference between assets and debt, grew for the top 60% of households by income but fell for the bottom 40% (CFED, 2008; Schneider & Tufano, 2007).

Home equity is a primary path for individuals of low- and moderate-incomes to develop net worth. Net worth represents the market value of a home minus any outstanding mortgage obligations (CFED, 2008). Between 2004 and 2006, median home

equity increased overall by 20%, but households in the second income quintile experienced a 31% loss in home equity (CFED, 2008). Income quintiles divide the total number of households into five quintiles, which provides a comparative measure of economic well-being (DeNavas-Walt, Proctor, & Smith, 2010; see Table 2).

Table 2 Mean household income of quintiles, Median household income of total households, GINI index of income inequality, 2004-2009

Measure	2009	2008	2007	2006	2005	2004
Mean Household income: 1 st quintile	11,552	11,612	11,949	12,077	11,707	11,633
Mean household income: 2 nd quintile	29,257	29,405	30,457	30,614	30,057	29,765
Mean household income: 3 rd quintile	49,534	49,942	51,691	51,301	50,871	50,431
Mean household income: 4 th quintile	78,694	79,457	81,839	81,201	80,014	79,518
Mean household income: 5 th quintile	170,844	170,408	173,763	178,904	175,335	171,965
Median income: Total households	49,777	50,112	51,965	51,278	50,899	50,343
Gini index of income inequality	.468	.466	.463	.470	.469	.466

(DeNavas-Walt et al., 2010)

Since 2006 falling home values and rising foreclosures have eroded recent gains in home equity, with the biggest losses recorded for minority households (CFED, 2008). In addition, the racial wealth gap closed slightly, but wide disparities endure, and wealth inequality grew between the richest and poorest households (CFED, 2008, p. 4; DeNavas-Walt et al., 2010). These figures demonstrate the economic damage that low- and moderate- households and communities experience in the wake of a housing crisis. Homeownership has long been considered one way that groups of lower economic

standing can create wealth and increase assets. The foreclosure crisis has caused many to ask whether homeownership still provides this opportunity.

Community Impacts of Foreclosure

The impact to one homeowner facing foreclosure can result in a crisis situation. The homeowner is faced with securing new housing and the ramifications of a blemished credit history. The education of a child is disrupted as the family moves to a new area. Psychological stress may impact familial cohesion. While these life stressors are no less significant to each individual homeowner, taken collectively, the impact on a low-income or predominant minority community may be catastrophic.

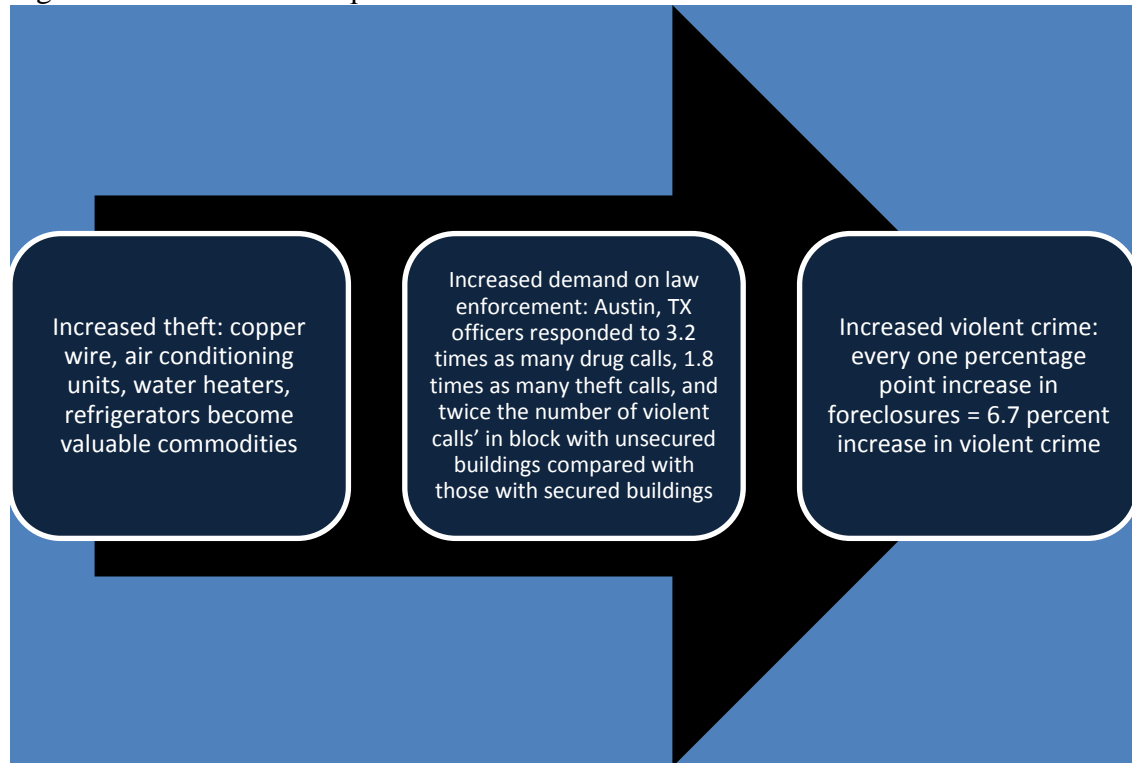
In reviewing the literature, there is a general acknowledgement regarding the lack of depth of research on the community impacts of foreclosure (Apgar & Duda, 2005; Goldstein, 2004; Immergluck & Smith, 2006a). The existing literature identifies three primary impacts on low-income and minority communities as a result of foreclosures: 1) increase in crime, particularly violent crime, 2) increase in housing instability, and 3) increase in financial costs (Apgar & Duda, 2005; Carsey Institute, 2006; CFED, 2008; Goldstein, 2004; Immergluck & Smith, 2006a, 2006b; Mallach, 2008; Pew Charitable Trusts, 2008; Tetreault & Verrilli, 2008; Vidmar, 2008). The overall findings are that foreclosures pose a threat to neighborhood stability and community well-being and disproportionately impact low-income and predominantly minority communities.

Increase in crime.

Three primary ways in which foreclosures impact crime in low-income and minority communities are: 1) providing opportunity for theft, 2) increasing demands on

law enforcement, and 3) attracting violent crime (Apgar & Duda, 2005; Immergluck & Smith, 2006b; Kingsley, Smith, & Price, 2009; Vidmar, 2008; see Figure 1).

Figure 1: Foreclosures' impact on crime



(Apgar & Duda, 2005; Immergluck & Smith, 2006b; Vidmar, 2008)

Provide opportunity for theft.

Abandoned buildings invite theft. Several empty, boarded, and dilapidated properties communicate to criminals an unlikeliness of being caught in a neighborhood that seemingly appears not to take responsibility for the maintenance of its homes (Immergluck & Smith, 2006b). Although, in fact, neighbors may be concerned about the foreclosed homes on their blocks, unoccupied buildings do make it more likely that property crimes will go unreported simply from a lack of awareness of what is happening behind secured doors and boarded windows.

Abandoned homes are rich with commodities that thieves may sell on the black market. Common items that are taken from foreclosed homes include copper wire, air conditioning units, water heaters, refrigerators, and toilets (Vidmar, 2008). In addition to being burglarized, foreclosed homes may also be vandalized. Whether thievery or vandalism, or both, property destruction requires additional money to repair the homes. Sometimes theft and vandalism is so extensive that it costs more to fix the homes than they are worth (Vidmar, 2008).

In addition to crime occurring behind boarded windows, criminals also feel emboldened by the lack of investment and attention paid to low-income and minority communities. A local director of the East Side Organizing Project of Cleveland reported that car thieves used an empty lot on one block for several months to “store and strip parts from stolen cars” (Vidmar, 2008, p. 1). Even more concerning, over a two-year period, seven dead bodies, including victims of crime, were discovered in Buffalo, New York either in or around vacant buildings (Vidmar, 2008).

Increase demand on law enforcement.

The lack of attention to preventative policing in some neighborhoods battling an increase in foreclosures may be impacted by the overall demands being placed on law enforcement. While research in this area lacks meaningful depth, one study in Austin, Texas documents increased demand on law enforcement in proportion to a rise in foreclosures. The evidence indicates that “blocks with unsecured [vacant] buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls as blocks without vacant buildings” (Vidmar, 2008, p.1).

Increase in violent crime.

One of the most significant findings regarding crime and foreclosure is the increase in violent crime. For many of the same reasons as discussed for the rise in thefts, violent criminals also take advantage of the shelter provided by foreclosed homes. In the first study to systemically evaluate the impact of foreclosure on crime, it was found for every one percent increase in the foreclosure rate, violent crimes increased by 6.7% (Immergluck & Smith, 2006b). Immergluck and Smith (2006b) affirm the importance of their findings, “An increase in violent crime is an important social cost, as well as an economic cost, that must be incorporated into policy making concerning real estate and mortgage lending policies and regulations” (p. 863).

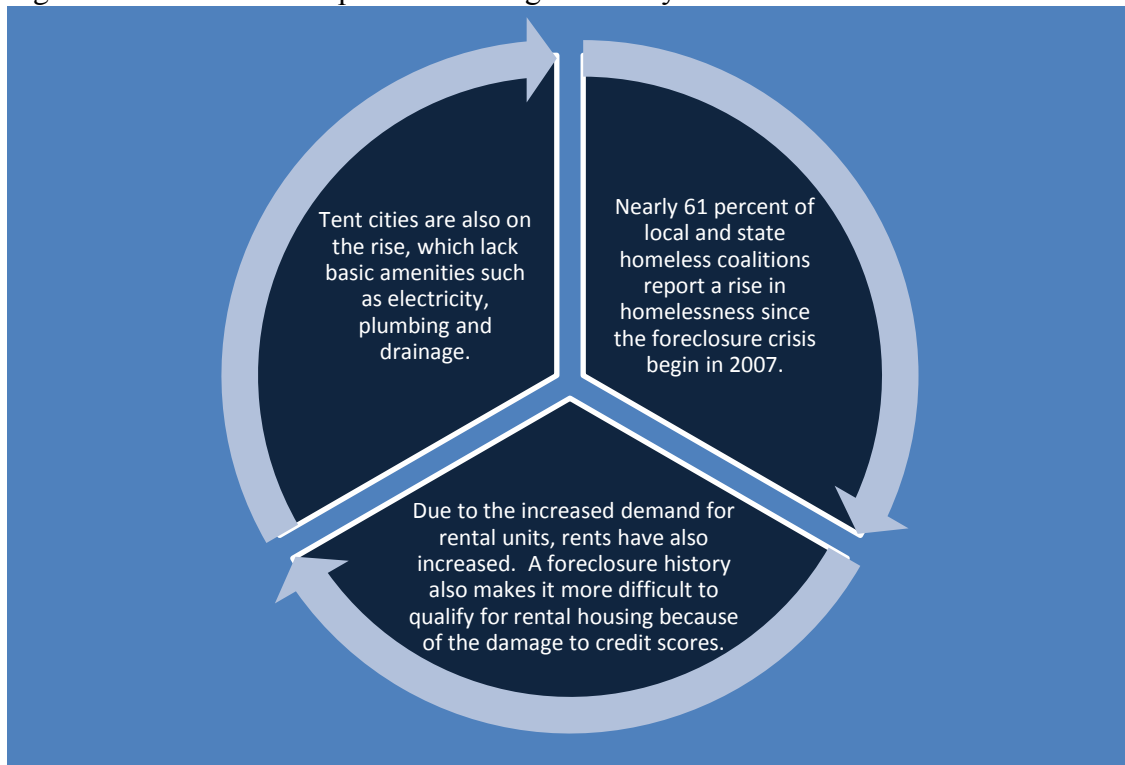
Increase in housing instability.

The most fundamental impact of foreclosures is increased housing instability. Three major ways such instability occurs has been documented in the literature: 1) a rise in homelessness, 2) an increase in demand for rental units, and 3) an increase in tent cities (HUD, 2009; Pettit, Hendey, Kingsley, Cunningham, Comey, Getsinger, & Grosz, 2009; Kingsley et al., 2009; Vidmar, 2008; see Figure 2)

Rise in homelessness.

Since the foreclosure crisis began, 61% of local and state homeless coalitions have reported a rise in homelessness (Vidmar, 2008). Prior to the foreclosure crisis, shelters were already at capacity and regularly turned individuals away. Homelessness rates are often difficult to estimate because people may be isolated or living with friends. For example, state and local homeless coalitions report that 76% of people experiencing foreclosure and homelessness stay with family and/or friends (NLIHC, 2008).

Figure 2 Foreclosures' impact on housing instability



(Kingsley et al., 2009; Joint Center for Housing Studies, 2006a; Vidmar, 2008)

Technically, the individuals represented in the report meet the standard definition yet they may not consider themselves homeless because they are sheltered by friends and family. Information from Michigan also underscores the impact of foreclosure on homelessness. The number of homeless adults listing foreclosure as one of the top two reasons for their homelessness was 217% higher in the first quarter of 2008 than it was in the first quarter of 2006 (NLIHC, 2008).

Increase in demand for rental units.

The availability and pricing of rental units have been impacted in two ways by the increase in foreclosures. First, as homeowners are forced from their houses, they are looking for rental units. This demand in rental units has led to an increase in monthly rents (Joint Center for Housing Studies, 2006a; Vidmar, 2008).

Second, many of the foreclosed properties are rental units. For example, New York City had 15,000 foreclosure filings in 2007, of which 60% were multi-unit buildings (NLIHC, 2008). The impacts are not geographically exclusive. During the third quarter of 2007, 20% of all foreclosures were multi-family dwellings (NLIHC, 2008).

Increase in tent cities.

In addition to people living with families/friends or in homeless shelters, some are finding refuge in tent cities constructed in urban communities across the United States. In the Los Angeles suburbs, more than 200 displaced residents have established a tent city (Vidmar, 2008). Tent cities pose unique health risks due to the close proximity of people who are living without basic amenities such as electricity, plumbing, and drainage.

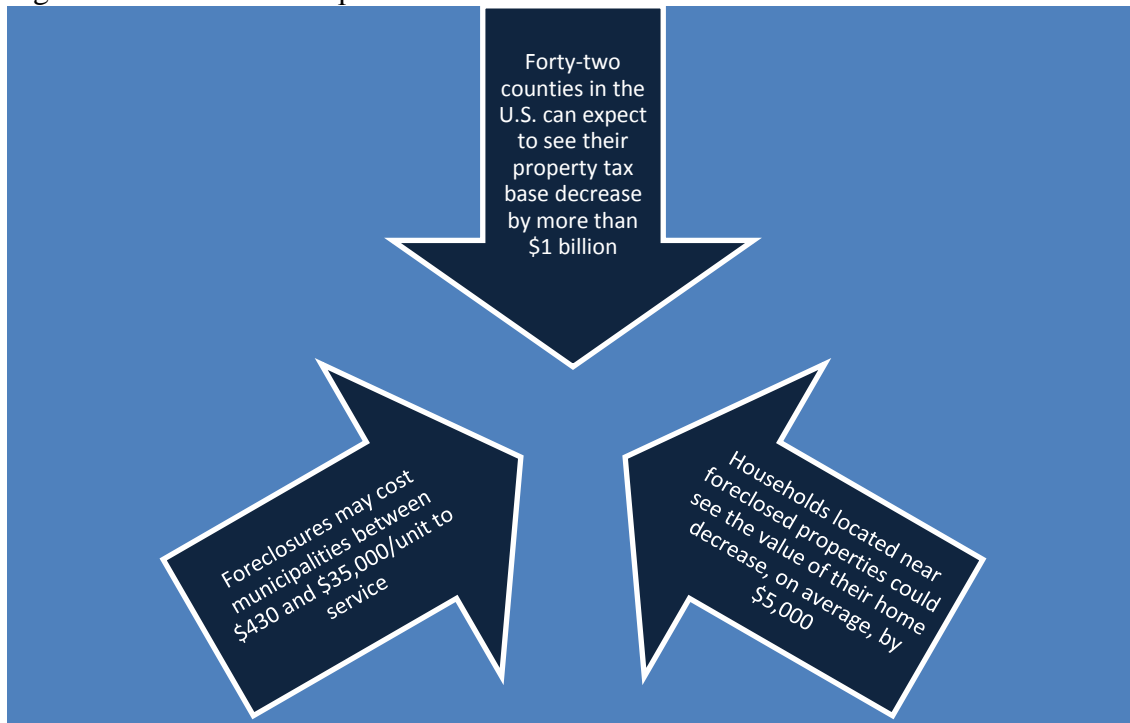
Increase in financial costs.

Foreclosures pose a significant fiscal impact not only to units of government, but also to not-for-profit organizations and other public-private partners. Three ways foreclosures led to increased financial costs are: 1) loss of property value, 2) loss of property tax base, and 3) care and maintenance of foreclosures (Apgar & Duda, 2005; Kingsley et al., 2009; Vidmar, 2008; see Figure 3).

Loss of property value.

One of the most immediate impacts of foreclosures is the declining value of the property. As with most impacts of foreclosure, there appears to be a negative multiplying effect on

Figure 3 Foreclosures' impact on financial costs



(Apgar & Duda, 2005; Kingsley et al., 2009; Vidmar, 2008)

the values of nearby properties. One study examined the impact to property values in Philadelphia and found that a single abandoned house on a block has the potential to reduce the value of nearby properties by 15% (Mallach, 2008). In Cleveland, where a community devastated by more than 9,000 foreclosure filings in 2007 alone, homes sold for an average of 29% of their market value (Mallach, 2008). Cleveland's median home value dropped 48% between 2005 and 2007 (Mallach, 2008). While rust belt cities like Cleveland and Philadelphia experienced some of the worst increases in the foreclosure rate and therefore the most devastating effects, other communities did not escape falling property values either.

An examination of 1997 and 1998 foreclosure data in Chicago determined a statistically significant ability of one foreclosure to impact the property value of a neighboring home. A conservative estimate of the data revealed that for every

foreclosure within an eighth of a mile of a single-family home there is a 0.9% decrease in the value of the home (Immergluck & Smith, 2006a). Immergluck and Smith (2006a) elaborate on their findings: “The impact was even higher in lower-income neighborhoods, where each foreclosure dropped home values by an average of 1.44%” (p. 24). The aggregate estimated loss of property value for the City of Chicago for the 3,750 foreclosures in 1997 and 1998 was \$598 million, or an average of \$159,000 for each foreclosure (Immergluck & Smith, 2006a). The analysis did not account for the effects on condominium, multifamily rental, and commercial building values. This study also took place prior to the foreclosure boom that began in 2006, for which the effects would likely result in an even greater cumulative loss in property value.

The Center for Responsible Lending (CRL) has analyzed the potential impacts of the foreclosure boom, particularly the effects of the subprime market, on property values. CRL focuses primarily on the subprime market because data indicate a relationship between such loans and the likelihood of foreclosure. One analysis has quantified the differential impact of use and harm of subprime loans noting that subprime loans account for only 14% of all mortgage loans but result in more than 50% of all loans that are in foreclosure (Pew Charitable Trusts, 2008). Another report found that “more than 1 out of every 20 subprime borrowers was in foreclosure and thus at risk of losing their home in the fourth quarter of 2003, compared with just 1 out of every 100 prime borrowers” (Quercia et al., 2007). That likelihood has increased since the housing crisis began. CRL now estimates that for loans originated in 2004 and 2005, one in five will end in foreclosure (Schloemer et al., 2006). Based on that estimate, foreclosures are likely to cost homeowners approximately \$164 billion, which will mostly occur in stripped home

equity (Schloemer et al., 2006). A more recent analysis, which occurred after the housing crisis began, indicates deeper losses to communities. This analysis suggests that up to 40.6 million homeowners will lose value due to subprime foreclosures in their communities (Pew Charitable Trusts, 2008). In fact, they estimate properties next to foreclosures may lose up to \$356 billion in home value (Pew Charitable Trusts, 2008). Yet, even more troubling and concerning is the geographical and sub-population impacts of the loss in home value.

At the end of 2007, seven states accounted for more than 50% of all the nation's loans that were in foreclosure or seriously delinquent: California, Florida, Michigan, Ohio, Texas, New York and Georgia (Pew Charitable Trusts, 2008). Within those states, foreclosures were concentrated in low-income and minority communities that have been impacted the most by the targeting of subprime lenders (Center for Responsible Lending, 2011a). The unfortunate impact is the reduction in "value of properties owned by lower-income residents in already weakened housing markets" (Pew Charitable Trusts, 2008, p. 11). Homeownership, especially for low-income and minority communities, is one of the most efficient paths to building wealth in the U.S. (CFED, 2008). The importance of homeownership is underscored by research that demonstrates home equity is the most significant component of net worth overall, accounting for approximately 50% of all wealth (CFED, 2008).

Although fewer than 50% of low-income and minority households are homeowners, for those that manage to achieve homeownership, the devastating effect of losing equity is even more pronounced. "Mean wealth is more concentrated in homeownership for minority households (60.6%) – particularly for Latino households

(66.0%) – than it is for white households (48.8%)” (CFED, 2008, pp. 6-7). Essentially what this data underscores is that white households have other forms of assets and wealth than minority households that may cushion the blow of lost property value. The impact of lost property value is further highlighted by the following statistics:

The bottom income quintile had 62.4% of its mean net worth in home equity, whereas the top income quintile had only 44.4%, representing an 18 percentage point difference. Households in the second income quintile – earning income between \$20,000 and \$37,000 a year in 2006 – saw median income equity fall more than 31% from \$16,000 to \$11,000. Minority homeowners experienced a greater loss in home equity (15%) than did white homeowners (11%). (CFED, 2008, pp. 7-9)

The data on the loss of property values document some of the most discriminatory effects of subprime lending on low-income and minority communities.

Loss of property tax base.

One cannot address the loss of property value without discussing one of the primary outcomes of devaluation—loss of property tax base. The loss of property tax revenue underscores the domino effect of foreclosures. Research has documented how the foreclosure crisis is disproportionately impacting communities already suffering from neglect and disinvestment. Low-income and minority communities are further victimized through increased crime invited by foreclosures and perpetuated by law enforcement systems that are either unengaged and/or under-resourced (Kingsley et al., 2009). Although empirical research is not available that documents why law enforcement is under-resourced in meeting the policing needs of communities heavily impacted by foreclosures, it is reasonable to assume that declining property tax revenue may be one cause. In addition, when homes are vandalized and stripped bare it makes it more difficult

to sell. If a whole block of foreclosed homes are vandalized and stripped, it makes it extremely challenging to develop revitalization projects.

Two estimates document the extent to which local and state governments are impacted by the foreclosure crisis. In terms of local impact, forty-two U.S. counties alone are expected to see their property tax base decrease by more than \$1 billion (Vidmar, 2008). Vallejo, California recently declared bankruptcy after the housing crisis destroyed their local economy. Before declaring bankruptcy, the once thriving town, “cut 87 jobs, funding for parks, a library, a senior citizens’ center and other public services,” but the decreases in spending were not enough for the local government to avoid financial failure (Vidmar, 2008, p. 3).

At the state level, ten states alone were expected to lose \$6.6 billion in 2008 tax revenue as a result of the foreclosure crisis (Pew Charitable Trusts, 2008). Unfortunately, reduced revenue will most likely result in cuts to social service and public programs at the precise time when they are needed the most. Although each state allocates property taxes differently, the revenue is typically used to provide essential services including law enforcement, fire protection, road and bridge maintenance, schools, and county government operations.

States and cities must provide a minimum of services to keep government functioning and maintain public order. In addition to cutting needed social service and public programs, states and localities may actually be forced to increase the property tax rate to maintain basic services. Such increases may come at a time when low-income and minority communities can ill-afford them. An increase in the tax rate, coinciding with a decrease in services and other community amenities, may result in the unintended

consequence of mass migration from particular cities. Perhaps reflecting this scenario, Detroit and Cleveland have both experienced significant decreases in their populations (Vidmar, 2008).

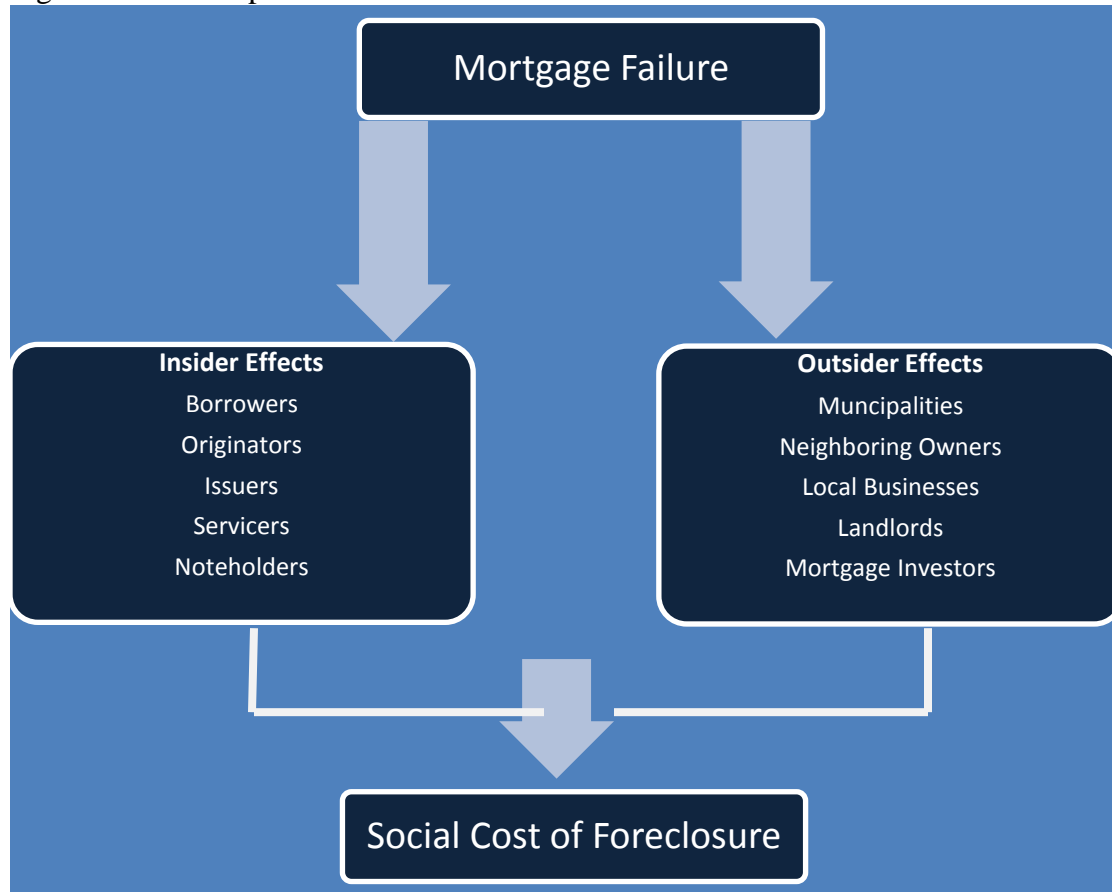
Care and maintenance of foreclosures.

In addition to losing property tax revenue, cities must contend with the costs associated with the oversight and maintenance of foreclosed properties. The most comprehensive study conducted on the impact of foreclosures on city governments used Chicago as a case study (Apgar & Duda, 2005). It is worth noting that the study occurred before the housing crisis reached its current magnitude. The study documents the high social impacts of subprime lending and describes the practice as encouraging perverse market effects with lenders essentially racing to the bottom with inappropriate underwriting standards and loan products (Apgar & Duda, 2005). The conclusion drawn is that speculative investors benefit at the time of loan origination and leave local governments and other entities to pay the cumulative costs when many of the loans default (Apgar & Duda, 2005). Apgar and Duda (2005) acknowledge the clustering of foreclosures in low-income and minority communities and conclude that the result is the concentration of outsider effects in the nation's most challenging areas.

In examining the costs of foreclosures to the City of Chicago, Apgar and Duda (2005) documented that more than a dozen city and county agencies were involved. The case study evaluated five common foreclosure scenarios to document the economic costs to local government. Costs ranged across the five scenarios and may have included such items as filing fees, building inspections, boarding, police calls, demolition, and fire

protection. Depending on the scenario, foreclosures cost the city of Chicago anywhere from \$430 to \$35,000/unit for care and maintenance (Apgar & Duda, 2005).

Figure 4 Social Impacts of Foreclosure



(Apgar & Duda, 2005, p. 6)

In addition to the direct costs of caring for and maintaining foreclosed properties for which ownership has shifted to a city government, there are also indirect costs that state and city governments may bear. The research in this area is not substantial but there is some evidence that indicates prior investment by public and private partners is eroded when communities become blighted by foreclosures. Through revitalization grants, many cities and private partners made investments in distressed communities that created opportunities for these neighborhoods to transition into thriving areas. One example of this type of investment is Reservoir Hill in Baltimore, Maryland that is now faltering

because of high foreclosure rates (Vidmar, 2008). Convincing cities and private entities to invest in distressed communities the first time around may have been challenging enough. Now that their investment did not produce the desired return it may be nearly impossible to attract capital to revitalize distressed neighborhoods again.

Current Policy Practice

Federal Response.

Servicemembers Civil Relief Act of 2003.

A few years prior to the mortgage meltdown and widespread economic collapse, the Servicemembers Civil Relief Act of 2003 was passed to protect military personnel as they actively serve the country (U.S. Department of Justice [DOJ], n.d.). The Act includes a number of protective provisions including ones that prevent mortgage interest rate changes and foreclosure (Kelley, Ropiequet, & Kempa, 2005; DOJ, n.d.). Despite these safeguards, during the foreclosure crisis, evidence exists of violations that loan servicers made against actively serving military personnel (Henriques, 2011; Matthews, 2011; U.S. Government Accountability Office [GAO], 2011). In a regulatory review of 2,800 mortgage documents, GAO staff reportedly discovered 50 occurrences of loan servicers pursuing foreclosure against an active service member (GAO, 2011).

Not overtly focused on foreclosure and recently new, the literature regarding this Act is minimal. Given the possible protections the Act does provide against foreclosure, it is worth further study. In addition, deeper investigation is warranted to discover the extent and contributing factors that resulted in violations of the Act.

Hope Now.

Despite troubles in the housing sector arising in 2006 and further deterioration into 2007, the Bush administration did not offer any response until late 2007. Hope Now, a voluntary effort of housing counselors, mortgage lenders, investors and homeowners, was encouraged by the Bush administration in late 2007 (HOPE Now, n.d.). The effort resulted in minimal assistance for struggling homeowners. Intended to expedite loan modifications of subprime adjustable-rate mortgages, the program was voluntary on the part of lenders and investors, did not address the multiple and complex problems associated with mortgage default, and only 20% of the few loans that were modified actually resulted in a lowered mortgage note (HUD, 2009).

Housing and Economic Recovery Act of 2008.

In the aftermath of the 2008 economic crash, Congress passed and President George W. Bush signed into law the Housing and Economic Recovery Act (HERA) of 2008. Including overhauling oversight and regulation of GSEs, HERA contained three key provisions: 1) Hope for Homeowners, which provided \$300 billion in FHA guarantees to incentivize lenders to refinance delinquent home mortgages; 2) Neighborhood Stabilization Program, which is a part of the Community Development Block Grant (CDBG) and provided \$3.92 billion in block grants for states to purchase foreclosed or abandoned homes for the purposes of community stabilization; and 3) National Housing Trust Fund, which was to be financed through contributions from GSEs Fannie Mae and Freddie Mac to support the construction, maintenance and preservation of affordable rental housing for low and very-low income individuals (HUD, n.d.b, n.d.c; HUD, 2008; NLIHC, 2012; Wheelock, 2008).

The juxtaposition of size, scope and success between HERA and the Troubled Asset Relief Program (TARP) is striking. TARP, also passed in 2008 as part of the Emergency Economic Stabilization Act, provided \$700 billion to financial institutions to mitigate the losses experienced during the economic crash (Jimenez, 2010). HERA was, in theory, the homeowner equivalent of the large-scale bail-out offered to banks and other financial institutions through TARP; however, the homeowners were not considered too big to fail. HERA was intended to provide relief to 400,000 homeowners but by September 2009 only 94 loans had been refinanced (Congressional Oversight Panel, 2009). With its voluntary structure, HERA had failed to provide proper incentives to encourage lenders to meaningfully participate. In addition to the minimal invention provided by Hope for Homeowners, the financing structure for the National Housing Trust Fund collapsed when the federal government placed Fannie Mae and Freddie Mac into conservatorship (NLIHC, 2012).

Making Home Affordable.

Introduced by the Obama administration shortly after assuming office in 2009, Making Home Affordable is a part of a comprehensive strategy to mitigate foreclosures, stabilize the housing sector, and strengthen the economy (HUD, 2013). There are four main components to the initiative: 1) Home Assistance Modification Program (HAMP), which allows homeowners to modify their loan into an affordable mortgage, 2) Home Affordable Refinance Program (HARP), which provides an alternative route to refinancing a loan if homeowners are unable to obtain a traditional refinance due to a decline in home value, 3) Home Affordable Unemployment Program (UP), which provides a temporary reduction or suspension of mortgage payments for a minimum of

12 months if the homeowner is unemployed, and 4) Home Affordable Foreclosure Alternatives (HAFA), which offers homeowners an opportunity to exit a current mortgage through short sale or deed-in-lieu of foreclosure into a more affordable housing situation (HUD, 2013).

Although comprehensive in scope, Making Home Affordable programs continued the previous pattern of voluntary participation by lenders. In the early years of the program, following the TARP rescue, very few lenders seem inclined to provide loan modifications. At the end of 2009, out of 3.3 million homeowners eligible for HAMP, only 66,465 mortgages (2%) were permanently modified (U.S. Department of The Treasury, 2010). In 2012, addressing criticism of HAMP's ability to reach more homeowners, the Obama Administration implemented changes to the program (Making Home Affordable, 2012). By the end of May 2012, over one million homeowners had received permanent loan modifications and were averaging \$500 in monthly mortgage payments—representing a cumulative savings of \$13.3 billion in mortgage payments (U.S. Department of The Treasury, 2012).

American Recovery and Reinvestment Act of 2009.

Housing programs would receive a boost when Congress allocated more than \$13 billion of the \$788 billion of the American Recovery and Reinvestment Act of 2009 to the U.S. Department of Housing and Urban Development (HUD) (Schwartz, 2010). As part of the effort to stimulate jobs and create shovel-ready projects, the following HUD programs would benefit from this investment: Public Housing Capital Fund, Native American Housing Block Grants, Community Development Fund, Neighborhood Stabilization Program, HOME Investment Partnerships Program with support to Low-

Income Housing Tax Credits, Assisted Housing Stability and Energy and Green Retrofit Investments (HUD, n.d.b).

Hardest Hit Fund.

Further responding to criticism that existing programs did not go far enough to address the needs and challenges of homeowners facing foreclosure, the Obama administration developed the Hardest Hit Fund in 2010 (HUD, 2010; U.S. Department of The Treasury, n.d.). The initiative began with a \$1.5 billion investment in five states and has grown to include 18 states with \$7.6 billion in funding (U.S. Department of The Treasury, n.d.). Targeting states with higher than national unemployment rates and/or 20% declines in home prices, the Hardest Hit Fund allows state housing finance agencies to develop local responses to prevent foreclosures (U.S. Department of The Treasury, n.d.).

States are encouraged to develop programs that respond to the particular challenges faced by their residents; however, there are some common goals: provide mortgage assistance to individuals who are unemployed or “underwater” on their mortgage, offer principal reduction to move homeowners into more affordable payments, eliminate homeowners’ second lien loans, and assist homeowners who are moving from unaffordable living arrangements into affordable ones (U.S. Department of the Treasury, n.d.).

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Two years following the worst economic crisis since the Great Depression, Congress passed and President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 (HUD, n.d.b). Dodd-Frank reverses the decades’ long

path of deregulation and attempts to restore financial protections that were repealed or weakened in the intervening years between the Great Depression and the Great Recession (Cohen, 2012). The 2,300-page bill with 400 rules is comprehensive and complex, contending with weighty financial issues, including: establishing a Consumer Financial Protection Bureau with oversight and enforcement functions; establishing a financial stability oversight council; regulating non-bank financial companies; breaking up large corporations; limiting taxpayer funded bailouts; reestablishing a wall between deposit and investment activities in financial institutions in the form of the Volcker Rule; reforming the federal reserve; creating transparency and accountability for derivatives; pursuing mortgage reform; developing new requirements for credit rating agencies; imposing accountability in executive compensation; and reducing risks associated with securities (Consumer Financial Protection Bureau, n.d.; Frank, n.d.; New York Times, 2011; Proress, 2012; U.S. Commodity Futures Trading Commission, 2012).

Strong opinions exist as to whether Dodd-Frank will prevent another economic crisis; however, the full impact of the legislation is unknown (Cohen, 2012; Ludwig, 2009; Stiglitz, 2011). Although comprehensive in scope, Dodd-Frank provided few details on how the legislation should be implemented, leaving federal regulators to tackle that arduous task starting in 2010 (Proress, 2012). Gary Gensler, chairperson of the U.S. Commodity Futures Trading Commission, which is the agency responsible for promulgating rules for Dodd-Frank, expected a full implementation of the law in 2013 (Proress, 2012). Along the path to implementation, Mr. Gensler's agency has contended with Wall Street backlash. Morgan Stanley alone has dedicated 100 people to influence rulemaking (Proress, 2012). In addition, due to lobbying efforts that have slowed the rule-

writing process, the U.S. Commodity Futures Trading Commission has only promulgated one-third of mandated Dodd-Frank regulations, another one-third remain in the proposal phase, and the final one-third have yet to be fully considered (Protest, 2012). Wall Street representatives are also challenging Dodd-Frank in court. As of December 2012, five lawsuits were filed (Protest, 2012). At this point, the full implementation and protective outcomes of Dodd-Frank remain uncertain.

National Mortgage Settlement of 2012.

In February 2012, U.S. Attorney General Holder announced news of a \$25 billion settlement between the federal government, joined by 49 states, and five of the nation's major mortgage servicers (DOJ, 2012). The settlement stemmed from ongoing investigations at the federal and state levels concerning alleged abuses of mortgage servicing, foreclosure, and bankruptcy (DOJ, 2012). The five financial institutions subject to the terms of the settlement include: Ally Financial, Inc., Bank of America, Citigroup, Inc., J.P. Morgan Chase & Co., and Wells Fargo & Co. (National Mortgage Settlement, n.d.b).

Key settlement provisions include: financial relief to homeowners in the form of principal reduction (\$10 billion), refinancing (\$3 billion), and other housing-related assistance (\$7 billion); payments to state and federal governments in the form of payments to wrongfully foreclosed upon homebuyers (\$1.5 billion) and general payments to state and federal governments (18.5 billion) to provide foreclosure relief and housing programs; strengthened servicing standards; and benefits to servicemembers and veterans in the form of restitution for wrongful foreclosures (payment equal to lost equity, interest and an additional \$116,785), refund any interest payments made in excess of 6%,

universal eligibility for cost reimbursement associated with permanent change in station (PCS), and veterans housing benefit program (\$10 million) (Lehman, n.d.; National Mortgage Settlement, n.d.a, n.d.b).

State Response.

Foreclosures impact states unevenly. Based on HMDA origination loan data from 2004-2008, the percent of completed foreclosures ranged from a low of 1% in Vermont to a high of 14% in Nevada (Center for Responsible Lending, 2011b). Considering the breadth of foreclosure experience, which is influenced by multiple social and economic factors, it is reasonable to find a wide range of legislative and programmatic responses in the states. Even before the housing bubble burst, some states attempted to protect consumers and vulnerable residents. North Carolina enacted the first state anti-predatory lending legislation in 1999—serving as an early model for other states to modify and adopt (Pierce, 2009).

Even when accounting for local nuance, states have generally responded to foreclosures with a three-tiered approach: 1) prevention, 2) mitigation and 3) stabilization (Center for Responsible Lending, 2008; Pew Charitable Trusts, 2008; Pierce, 2009). Prevention strategies typically include a combination of laws to regulate the conduct of mortgage brokers and minimize predatory lending, increase transparency during the loan process, and provide financial education to residents (Center for Responsible Lending, 2008; Pew Charitable Trusts, 2008; Pierce, 2009). Mitigation responses include outreach to borrowers, referring borrowers to counseling and legal services, attempting to secure loan modifications, streamlining foreclosure processes, and protecting borrowers from unscrupulous service providers (Center for Responsible Lending, 2008; Pew Charitable

Trusts, 2008; Pierce, 2009). Stabilization activities serve as the last resort—after efforts to prevent or mitigate a foreclosure is not successful. Stabilization responses are concerned with attracting homeowners to an area before abandoned and vacant properties have enough time to take hold and potentially devastate an already fractured community, which also requires sustained maintenance (Pierce, 2009). Land banks are also a stabilization effort allowing a governmental or not-for-profit entity to assemble and temporarily manage a large number of vacant properties (Pierce, 2009).

Prevention, mitigation and stabilization activities encompass broad areas of responses found throughout the states. One year after the 2008 economic recession began, a number of new state laws were passed to stem the tide of foreclosures. Cumulatively, 99 foreclosure-related laws were passed in 2009—67 of which provided mitigation-level responses, 15 more concerned neighborhood stabilization strategies and 12 were preventative in nature (National Governor’s Association, 2010). States continue to be challenged with foreclosures and refine their policy responses.

Grassroots Response.

Influenced by the financial industry bail-out and lack of a similar scope of response for individual homeowners facing foreclosure, community groups in various cities began engaging in direct action campaigns. Occupy Our Homes arose as an offshoot of Occupy Wall Street (OWS), whose genesis occurred in 2011 as a response to Wall Street’s role in the 2008 economic collapse and has loosely and broadly coalesced around issues of wealth inequality, militarization, and monetary influence in political and policy arenas (Dean, 2012). Occupy Our Homes provides a focused effort that some critics charge is lacking in the general OWS movement. As Dean elaborates, “While

Occupiers' arguments about inequality and corporate greed may sometimes seem abstract, the foreclosure issue has allowed activists to make their complaints about the U.S. economy more concrete" (Dean, 2012, p. 25). The purpose of Occupy Our Homes is to partner with local community groups to advance anti-foreclosure and anti-eviction actions (Dean, 2012).

Direct action.

Direct action campaigns are distinct from protests, marches and rallies in that a specific target, either an individual or an organization, is identified and the target is presented with a list of demands (Alinsky, 1971; Bobo, Kendall, & Max, 2001; Shaw, 1996). One of the most recognized and successful efforts of direct action involved a veteran, U.S. Marine Bobby Hull of Minneapolis, MN (Dean, 2012). Hull joined forces with a local group, Neighborhoods Organizing for Change (NOC), in a direct action that targeted Bank of America (BOA) (Dean, 2012). Hull, who become ill and fell behind on his mortgage payment, and his family were facing foreclosure after being long-term homeowners and active participants in their community (Dean, 2012). After BOA was the target of press conferences, petitions and newspaper headlines, the bank agreed to negotiate a loan modification (Dean, 2012). One representative of another local community-based organization engaged in anti-foreclosure and anti-eviction efforts explains the uniqueness and effectiveness of direct action approaches:

What (housing) counselors won't do is engage in advocacy. We are in a position to generate a hundred phone calls or a hundred emails to a bank executive saying, "This person is trying to stay in her home. We're calling on you to do a modification." That's made a difference sometimes. We've been able to get some postponements and some loan modifications. (Dean, 2012, p. 25)

Foreclosure Prevention Zones.

Foreclosure Prevention Zones (FPZ) are designated areas in which activists and other anti-foreclosure advocates provide collective and intentional support to individuals facing foreclosure (Dean, 2012). One of the most robust and broadly supported Foreclosure Prevention Zone (FPZ) is found in California. Occupy Petaluma, Occupy Los Angeles and Occupy Santa Cruz have combined efforts to promote FPZs (Dean, 2012). Some of the actions undertaken by this coalition of Occupy organizations include holding weekly vigils and raising awareness through newspaper and radio interviews (Dean, 2012). The Occupy coalition has used its collective power to apply pressure on the financial industry and policymakers to make the zone foreclosure-free and provide opportunities for homeowners to modify their mortgages (Dean, 2012). This collective approach has yielded positive results. Mayor David Glass, who represents Petaluma, describes the FPZ as “a model of mutual respect and cooperation that has delivered mileage” (Dean, 2012, p. 26).

The Occupy coalition, along with other anti-foreclosure and housing activists, continue to push to extend the power behind FPZs. Currently, they are attempting to strengthen the protective and supportive aspects by adding legal muscle to the zones. An organizer with Occupy Petaluma describes how the coalition is approaching every county recorder and district attorney across the state to request an injunction against foreclosures (Dean, 2012). The movement is using this tactic based upon the knowledge that lenders sometimes are unable to prove they actually hold the appropriate mortgage documents demonstrating they legally own the mortgage.

Take Back the Land.

In another grassroots approach, a local organization has assisted families and individuals facing foreclosure to reclaim foreclosed and vacant properties by re-inhabiting them. Take Back the Land, a local organization based in Miami, reclaims empty properties for use by individuals and families who are homeless. Proponents of an ownership society may refer to this grassroots tactic derisively as “squatting;” however, Take Back the Land considers housing a human right and believes they are liberating the land (Dean, 2012).

Take Back the Land is actively advocating for democratic community control of abandoned and foreclosed properties for use as affordable housing (Dean, 2012). As their tactics and awareness of the movement broadens so does the growth of the organization. Take Back the Land now has a presence in Rochester, NY and Madison, WI (Dean, 2012).

Theoretical Critique and Analysis

At its core, theory attempts to explain or predict phenomena. Several working definitions of theory exist, each seemingly focusing on one nuance or another. Payne (2005) offers a broad definition explaining that theory “is an organized statement of ideas about the world” (p. 5). Turner (1996) articulates the challenge many social science scholars encounter when attempting to communicate their scientifically-tested, conceptually rigorous theories to a mainstream society that equates the term as describing something no more than a “hunch” or “personal opinion” (p. 4). Acknowledging that reality and meanings are socially constructed, Turner (1996) moves beyond the lay definition to identify essential theoretical components—concepts, facts, hypotheses,

principles—which provide a framework to “understand what is, what is possible and how to achieve the possible” (p. 2). Harrington (2005) articulates the nuance of social theory as being explicitly concerned about the “study of scientific ways of thinking about social life” (p. 1) He further distinguishes social theory from political theory noting the inherent connection between the two bodies of thought but describes the former as having a broader orientation than the latter (Harrington, 2005). Perhaps one of the most precise and comprehensive definitions is found in the following concise statement, “a theory is a set of ideas that are cogently connected in operationally defined components that seek to clearly explain a specified phenomenon” (Daley, Peters, Taylor, Hanson, & Hill, 2006, p. 2).

The most highly regarded theories are characterized as having a solid empirical base, and a well-developed conceptual framework that offers clear explanatory features and provides direction for practice interventions (Decker et al., 2007; Simon, 1994; Turner, 1996). Theories also have significant limitations. If a theory is an ordering of ideas to explain some or several aspects of human behavior and/or the social environment, it stands to reason ambiguity exists. Weick (1989) cautions that theory, which is sometimes helpful in making sense of images and ideas that confront society, must also be approached with discipline and confidence to contend with its provisional and imperfect nature. Although Weick (1989) was offering his advice broadly, nowhere else should this care be given more full consideration in theory application, development and progression than with issues of oppression and vulnerable populations. Theory has been used to oppress and marginalize vulnerable populations throughout history; however, it may also provide a path to empowerment (Fook, 2002).

The purposes of the following analysis are to critique relevant explanatory theories, to identify possible areas of theory development and inclusion in a research agenda related to the intersection of homeownership, foreclosure and low- to moderate-income communities. After reviewing a number of social and political theories that appeared to have explanatory features appropriate to an analysis on the stated subject, four theories were selected: 1) Asset Development, 2) Functional Theory of Federalism, 3) Marxist Theory, and 4) Social Exchange Theory. An overview of each theory's conceptual framework will be provided in advance of a critique on three separate factors: 1) status of empirical base, 2) status of conceptual rigor, and 3) relevance to topic. In the ideal world, the most promising theories will have a strong empirical base, high conceptual rigor, and accommodate exploration of the intersection between the benefits of homeownership, the costs of foreclosure, and the impact of both of the former attributes on low- and moderate-income communities.

Asset Development Theory

Overview of Theory.

Most services and programs provided to meet the needs of individuals with low- and moderate-incomes are focused on income and subsistence maintenance (Sherraden, 1991). Income and subsistence maintenance programs include Temporary Assistance to Needy Families (TANF), Social Security, Medicaid, SNAP (food stamps), and rental subsidies. Influenced by an American ideology of rugged individualism and self-reliance, most of these programs are designed to provide enough assistance to raise an individual or family to poverty level, but not enough to incentivize the receipt of these government benefits (Dobelstein, 2003; Miller-Adams, 2002; Shapiro, 2001). In addition

to discouraging a welfare lifestyle, an income and subsistence maintenance approach does little to significantly increase the opportunities for individuals who are low-income to move into the ranks of the middle or upper economic demographic groups. In essence, income and subsistence maintenance programs do as they imply—maintain poverty.

In 1991, a social work professor, Michael Sherraden, introduced the concept of “asset development” that advocated for wealth-creating social policies for people who are low-income. In this context, wealth is defined as savings, investments, and accumulation of assets and does not include income, spending, or consumption (Sherraden, 1991). Asset-based welfare fundamentally challenges basic assumptions about the dominant U.S. social welfare system. The theory posits that traditional welfare policy is primarily concerned with income and consumption but should be driven instead by those factors along with promoting asset accumulation and investment (Schneider & Tufano, 2007; Sherraden, 1991). Sherraden (1991) argued that “current welfare policy has sustained the weak, but it has not helped to make them strong” (p. 3).

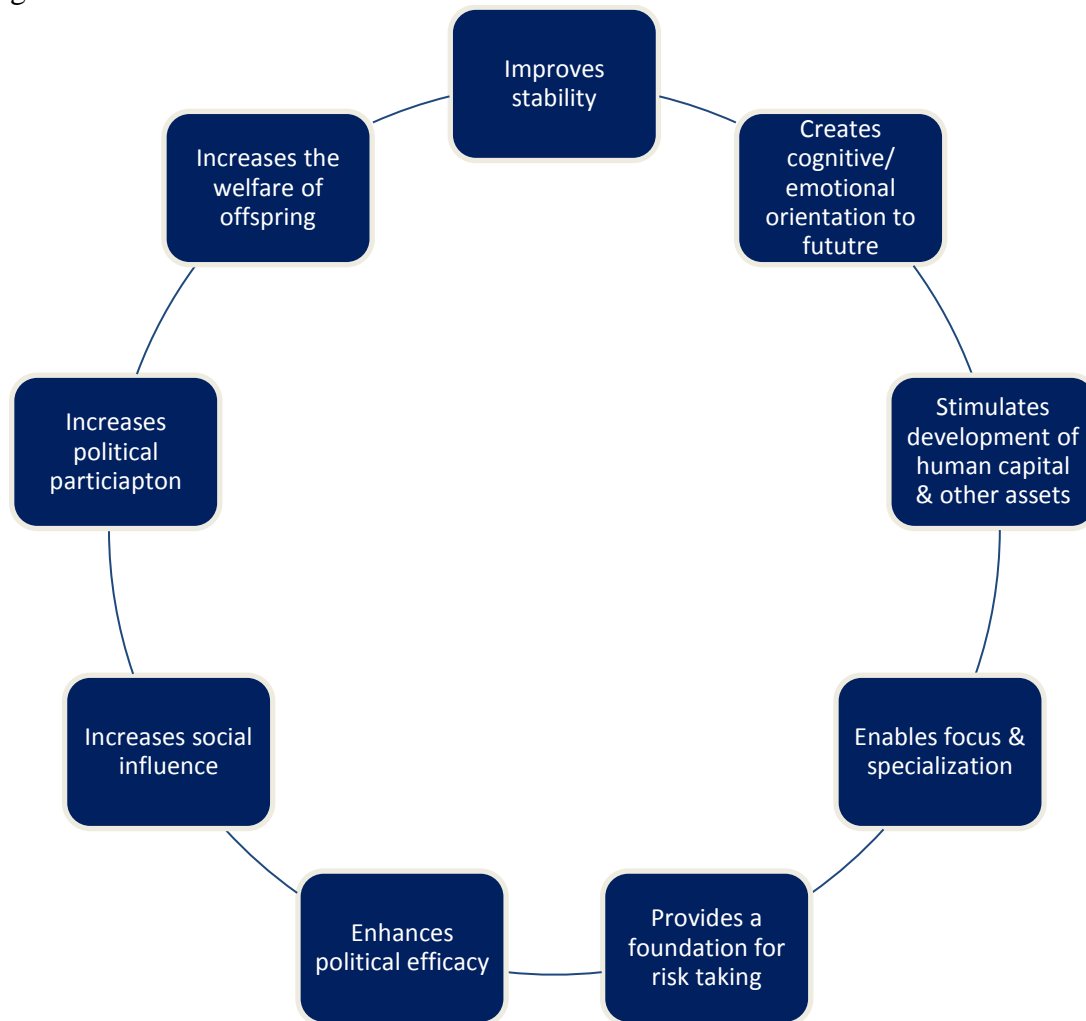
Asset-based welfare theory enhances the positive attributes of welfare assistance with the addition of economic development. Sherraden argues that welfare policy should move to an asset direction for two reasons: 1) the effects of assets are significant (see Figure 5) and 2) it fits the American ethos of capitalism and ownership. The theory acknowledges the reluctant U.S. welfare state and how ideological concepts of individualism, wealth, and other aspects of capitalism impact social policy. Asset-based development theory attempts to bridge the gap between individual theories of behavior that place the burden of poverty on people’s behavior and social theories that target institutions and structures as the mechanisms for systemic poverty. In this way, the

theory embraces the unique characteristics of the American experience and attempts to embed them into social welfare policy. Sherraden (1991) explains, “America needs a different welfare idea, an idea more suited to capitalism, more oriented toward accumulation and economic independence...Accumulation of independent capital is the American dream; it has deep roots in our history. It is the fabric from which we should cut an American welfare policy” (pp. 12-13).

Status of Empirical Base.

Asset-based welfare theory is grounded in research that demonstrated the positive impacts of asset accumulation by non-poor individuals. Sherraden (1991) defines these government-supported programs and incentives that are provided to middle- and upper-income demographics as “non-poor welfare” (p. 64). For example, Sherraden (1991) discovered that not only did the federal government provide asset-based subsidies to the non-poor (\$107 billion) that only fell slightly less than for the entire poor welfare state (\$124.6 billion), but also found that most benefits provided to the non-poor were designed to help non-poor people accumulate financial and real assets. The two major forms of non-poor asset-based welfare are: 1) tax subsidies for employer-sponsored and personally held retirement pension accounts (\$59.8 billion), and 2) tax subsidies for home equity accumulation (\$47.2 billion) (Sherraden, 1991). Since Sherraden first introduced this theoretical framework, other studies have documented the discrepancy of the asset-based welfare system for the non-poor and the subsistence welfare system for the poor (CFED, 2008; Miller-Adams, 2002; Woo & Buchholz, 2007). In 2004, a study evaluated federal spending and tax policy to calculate the total resources allocated to U.S. asset-building programs and who benefitted from them. The study documented that \$335

Figure 5 Effects of Assets



(Sherraden, 1991, pp. 180-181)

billion in asset-building incentives were subsidized by the government with over one-third of the benefits going to the wealthiest 1% of Americans and less than 5% going to the lowest 60% of Americans (Woo & Buchholz, 2007). The results of the study further document the utility of asset-based welfare theory in explaining the importance and equal distribution of government incentives.

Research has also demonstrated the importance of evaluating assets along with income as measures of economic well-being: “In 2004, the top 20% of earners commanded 58% of earned income, while the top 1% of wealthholders owned twice the

wealth of the bottom 80%” (Brooks & Tivol, 2008, p. 2). In addition to providing a framework for understanding the disparity in who benefits from federal asset-building policies, research has also demonstrated a return on investment when such opportunities are provided to individuals who are poor (Bratt, 2007; CFED, 2008; Green & Haines, 2008; Miller-Adams, 2002). Neighborhoods Inc. of Battle Creek Michigan, a not-for-profit housing developer, began offering homes in its geographical area in 1992 (Miller-Adams, 2002). At that time, the average selling price was \$25,783, which doubled to \$54,685 by 1999 (Miller-Adams, 2002). The increase in selling price represents an increase in equity, or assets, for the homeowners living in Battle Creek. The organization also provided down-payment assistance and homeownership education and counseling that resulted in individuals with low-incomes being able to both access and maintain homeownership. Census data also shows that the homeownership rate in Battle Creek increased between 1999 and 2000, representing a demographic shift that was attributed in part to the organization’s programs (Miller-Adams, 2002). Based on the early research, it can be argued that asset-based welfare theory has a relatively strong empirical base; however, given the infancy of this theoretical approach, there is room for additional development and progression.

Status of Conceptual Rigor.

Asset-based welfare theory draws from ideas and concepts associated with sociological, political, behavioral, and economic theories (Sherraden, 1991). Definitions and discussions are provided for the key concepts on which the theory is based in Sherraden’s seminal work, *Assets for the Poor* (1991). Four key concepts ground asset-

based welfare theory: 1) stakeholding, 2) asset accumulation, 3) asset poverty, and 4) wealth (Sherraden, 1991). Table 3 provides explanatory definitions for each term.

Table 3 Key Concepts of Asset Development Theory

Key Term	Definition
Stakeholding	People who are poor, to overcome their poverty, not only economically, but also socially and psychologically, must accumulate a stake in the system. A stake in the system means, in one form or another, holding assets.
Asset accumulation	Outcome of stakeholding.
Asset poverty	Households that are below minimum levels of both assets and income.
Wealth	Savings, investments, and accumulation of assets, does not include income, spending or consumption.

(Sherraden, 1991, pp. xv, 7, 198, 294).

In addition to these key concepts, there are also eleven policy principles of the asset-based welfare theory:

1) complement income-based policy, 2) have universal availability, 3) provide greater incentives for the poor, 4) be based on voluntary participation, 5) not define individuals as “on welfare” or “off welfare”, 6) promote shared responsibility, 7) have specific purposes, 8) encourage gradual accumulation, 9) provide investment options, 10) promote economic information and training, and 11) foster personal development. (Sherraden, 1991, p. 199)

Assets and the Poor (1991) provides a discussion on the specifics of these principles in the context of the theory. Combined with the key concepts these principles provide high conceptual rigor for asset-based welfare theory.

Relevance to Topic.

Asset Development Theory provides an exceptional explanatory framework for analyzing the intersection of homeownership, foreclosure, and low-income communities. At its core, asset-based development theory articulates the importance of people who are low-income being offered opportunities to increase their assets with the goal of rising out

of poverty. The theory also provides explanatory features about how assets may be protected, which could be helpful in mitigating the impact of foreclosure.

Functional Theory of Federalism

Overview of Theory.

The functional theory of federalism is primarily concerned with the selection of the appropriate level of government for policy design and implementation. While not a formal theory at the time, our Founding Fathers grappled with the roles of national and state governments. James Madison articulated a delineation of these roles in the Federalist Papers. He believed that national powers should only include:

1) Security against foreign danger; 2) Regulation of the intercourse with foreign nations; 3) Maintenance of harmony and proper intercourse among the States; 4) Certain miscellaneous objects of general utility; 5) Restraint of the States from certain injurious acts; 6) Provisions for giving due efficacy to all these power. (Madison, 1788, p. 1)

All other powers were considered to reside in the jurisdiction of states. This shared authority and delineation of policy making provides the underpinning of the federalist system.

The enduring challenge of federalism is how to grant states sovereignty to internally govern while connecting them to the national system in a unified manner. De Tocqueville (1835-40) understood the complexity, yet simplicity, of this dual system. He also recognized the genius of the Constitutional framers as they crafted this federalist system. De Tocqueville (1835-1840) noted:

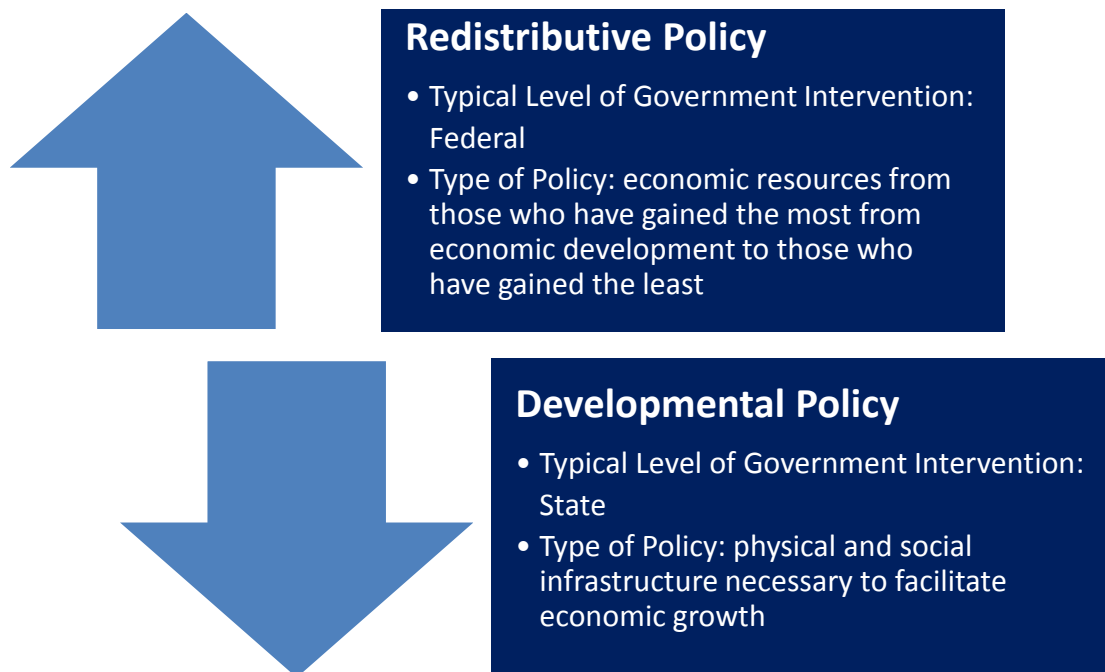
...the prerogatives of the federal government were carefully defined, and it was stipulated that any prerogative not comprised within that definition was to be retained by the states. Thus state governments remained the rule; the federal government was the exception. (p. 129)

This decentralized form of government has ebbed and flowed throughout U.S. history depending on political actors and changing environments.

Modern-day functional theory of federalism concerns itself with two primary areas of domestic policy: 1) developmental and 2) redistributive (Peterson, 1995).

Developmental policy is concerned with “physical and social infrastructure necessary to facilitate economic growth,” while redistributive policy focuses on transferring “economic resources from those who have gained the most from economic development to those who have gained the least” (see Figure 6) (Peterson, 1995, p. 17). According to functional theory, the national government is best situated to address redistributive policy and local and state officials are the most appropriate policy actors to work on developmental policy (Peterson, 1995).

Figure 6 Functional Theory of Federalism Framework: Redistributive and Developmental Policy



(Adapted from Peterson, 1995, p. 17)

Status of Empirical Base.

Functional theory of federalism has received mixed reviews for its empirical soundness. On the one hand, it has been used to explain the redistributive policies carried out at the federal level more often than developmental policies administered by the states (Peterson, 1995). Critics also charge that the theory falls short of outlining the political process in which policy is created (Peterson, 1995). Despite this criticism, political science literature is rich with studies that empirically evaluate levels of intervention by the federal and state governments (Anton, 1989; Berry, Fording, & Hanson, 2003; Burchell & Listokin, 1995; Koonz, 1997; McFarland & Meier, 1998; Peterson, 1995; Rodden, 2004; Tetreault & Verrilli, 2008; Wood, 1991). Based on a review of literature, it can be asserted that functional theory of federalism has a strong empirical base. Yet, there are significant and critical opportunities to explore federal and state public policy in the context of homeownership, foreclosure, and low-income communities.

Status of Conceptual Rigor.

In and of itself, functional theory of federalism offers a clear conceptual framework. It is primarily concerned with redistributive and developmental policies and whether they are situated as federal or state policy. The conceptual framework becomes somewhat ambiguous depending on what policy is being evaluated. For example, prior to welfare reform in the mid-1990's, welfare policy was viewed as primarily a federal policy due to its redistributive function. Under Aid to Families with Dependent Children (AFDC), states had to adhere to national guidelines, but they were allowed to establish monthly benefit levels (Peterson, 1995). Welfare reform ushered in a new era of benefit distribution and administration. AFDC became Temporary Assistance to Needy Families

(TANF) and as its name implies, was time-limited. In addition, states were given much more discretion to administer the program. TANF remained a redistributive policy, but there were also developmental aspects tied to the new welfare program. Work requirements were introduced and incentives were provided to employers who hired TANF recipients.

This example demonstrates issues with the conceptual framework of functional theory of federalism. Depending on the particular policy, the concepts may become muddled and confusing. It is imperative that the researcher, depending on their specific topic, operationalize particular concepts related to the policy they are analyzing; however, the conceptual framework still provides a solid understanding for analysis.

Relevance to Topic.

One of the fundamental principles of federalism, as explained by functional theory, is that states (and/or local governments) are better equipped to respond to development policy. Part of this principle is predicated on the assumption that the closer a unit of government is to the public, the more responsive it will be to their needs as decisions are based on local market and political factors (Krislov, 2001; Peterson, 1995). Given these assumptions, housing policy and a response to the foreclosure issue may be best developed at the state level. Housing is heavily influenced by local characteristics, including property taxes, zoning, and the supply and demand of the market. In addition, other contributory factors point to the need to explore how states can respond to this issue. One study documented that,

About 50% of subprime loans in 2005 were originated by federally supervised banks and thrifts and their affiliates, but the other 50% were made by independent mortgage companies that are chartered by individual states and are not subject to federal supervision or required to comply with federal consumer protection laws. (CFED, 2008, p. 11)

This example illuminates the complexity of housing and financial regulations that would benefit from further exploration.

The available literature on federalism and state response does not appear to test this theory in relationship to the foreclosure boom that many states are currently experiencing. One study provides a substantial account of states' responses, but it does not attempt to measure whether the state's legislative response matches the needs of its citizens (Pew Charitable Trusts, 2008). The study indirectly addresses federalism in that it recommends roles for both a national and state response to foreclosure. Yet, there is no theoretical explanation for how these roles were determined and if the delineation of legislative responsibilities is effective. Based on these findings, there is an identified gap in the literature explaining how individual states are responding to the particular foreclosure needs facing their citizens.

Marxist Theory

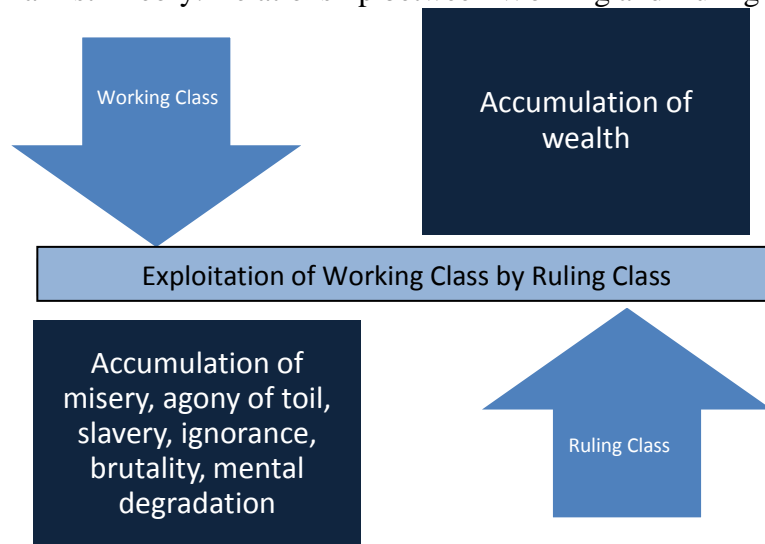
Overview of Theory.

Marxist theory is concerned about the unequal status of classes intrinsic to a capitalist system. In particular, it focuses on the relationship between the proletariat (working class) and the bourgeois (ruling class) (Marx, 1964; Robbins, Chatterjee, & Canda, 2006). From Marx's perspective, this relationship was exploitative because property/ownership was held by the few bourgeois while the many in the working class created this wealth for those at the top through their 'wage-slave' production (Joseph,

2006; Marx, 1964). Because the ruling class controlled the mechanisms of production, they also controlled the value associated with the outcomes of production. Marx argued that this unequal relationship led to wealth on behalf of the ruling class and to poverty for the working class. Marxist theory explains this economic imbalance is the result of “surplus value,” which is defined as “the difference between the selling price of the item and the cost of the labor to produce it” (Robbins et al., 2006, p. 67). Marxist theory posits that exploitation occurs when the products made by the working class are then sold back to them by the ruling class at inflated costs. To illustrate his point, Marx explains, “Accumulation of wealth at one pole is, therefore, at the same time the accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole” (Robbins et al., 2006, p. 67; see Figure 7).

The exploitation of the working class not only alienates producers economically, but also politically and socially. In Marxist theory, alienation is described as a “process by which people became estranged, demeaned, and depersonalized” (Robbins et al., 2006, p. 67). Economic alienation is used to further marginalize the working class from other social institutions, including the political arena. The ruling class becomes aware of the need to fortify their position in the struggle of classes and works to consolidate their influence through political institutions (Joseph, 2006; Marx, 1964; Robbins et al., 2006). Marxist theory posits that the only way to end this exploitative relationship is for the working class to unite in a revolutionary manner to overthrow the ruling class. Marxist theory suggests this exploitative relationship is harmful to both classes and there is a need for universal emancipation from the oppressive forces of capitalism (Joseph, 2006).

Figure 7 Marxist Theory: Relationship between Working and Ruling Classes



(Adapted from Robbins et al., 2006, p. 67)

Status of Empirical Base.

Marxist theory is often criticized as lacking a strong empirical base (Joseph, 2006; Jessop, 2008; Robbins et al., 2006). This lack of a strong empirical base may be the result of the underlying nature of Marxist theory that is admittedly biased towards social change and action. Underscoring his orientation to praxis, Marx stated, “The philosophers have only *interpreted* the world, in various ways; the point, however, is to *change* it” (as quoted in Ritzer, 2008, p. 27). Perhaps, as Marx advocated, people are actively using his ideas to advance progressive social change rather than passively evaluating its theoretical and empirical attributes. Regardless of the reasons why the theory lacks a strong empirical base, there is ample opportunity for theory development and progression.

Status of Conceptual Rigor.

In light of its emphasis on conflict, the differing perspectives on the conceptual rigor of Marxist theory seem appropriate. Or, perhaps because of its emphasis on complex human and social dynamics, the conceptual ambiguity is merely reflecting the nuanced subject of its attention (Joseph, 2006). Marxist theory provides a robust

Table 4 Key Concepts of Marxist Theory

Key Concepts
<ul style="list-style-type: none">• Impact of transition from a feudal to capitalist society• Importance of value, exchange value, and commodities• Relationship between labor, exploitation, and commodities• Impact of capitalist expansion and self-destruction• Role of the state, civil society, and religion• Intersection between property, reform, and revolution

(Palumbo & Scott, 2005, p. 44).

explanatory framework of class exploitation and oppression (see Table 4). With its emphasis on revolution, it falls short in offering realistic solutions to empower the working class to overcome exploitative conditions.

Relevance to Topic.

Marxist theory provides a framework for critically evaluating the intersection between homeownership, foreclosure, and low-income communities. Foreclosure may be the outcome of an exploitative financial system that benefits large corporations at the expense of low-income communities. One cannot minimize the key component of Marxism is revolution incited by the working class with the goal of emancipation from the capitalist system. The ultimate goal of Marxist theory is to introduce a communist system in place of capitalism. In this significant regard, the theory seems only appropriate to provide an explanatory framework to analyze the presenting topic—another theory will likely need to provide the basis for intervention and change of the housing and financial sectors.

Social Exchange Theory

Overview of Theory.

Social exchange theory, or exchange theory, was adapted from B.F. Skinner's psychological behaviorism by George Homans (Ritzer, 2008). According to Longres

(1995), it is a “framework for understanding social interactions based on the proposition that individuals, as well as groups and organizations, seek to maximize their profit and minimize their cost in transactions with others” (p. 546). Blau created a calculation to represent the interaction and behaviors behind the theory: “Interpersonal profit = Rewards to be obtained – Costs to be incurred” (Longres, 1995, p. 359).

This equation may lead some to suggest that social exchange theory is a conflict theory in that individuals interact in selfish ways to the detriment of others; however, the theory is predicated on the concepts of “norm of reciprocity” and the “principle of distributive justice” (Longres, 1995, p. 363). Norms of reciprocity assert that human beings usually treat others as they would want to be treated. The principle of distributive justice is concerned with ensuring that people involved in an interaction “receive according to what they have given” (Longres, 1995, p. 363). The theory contends reciprocity and justice exist in exchange because of people’s desires to receive approval of others and the reliance on formal rules to mitigate conflict when it does arise (Longres, 1995).

Status of Empirical Base.

Social exchange theory has received its fair share of criticism when it comes to the establishment of a strong empirical base. Both Homan and Blau have been accused of lacking a well-developed methodology that grounds their conceptual framework (Robbins et al., 2006). Based on a theoretical review and analysis, the theory was considered to have a medium quantitative and qualitative empirical base (Robbins et al., 2006).

Status of Conceptual Rigor.

Robbins et al. (2006) also evaluated the conceptual rigor of social exchange theory as medium; however, in ascertaining this rating they provide a list of twelve theoretical principles that were developed by Homans, Blau, Gouldner, Emerson and other social exchange theorists (see Table 5) (Ritzer, 2008).

There is some conceptual ambiguity involving the application of these concepts at the micro, mezzo, and macro levels. Social exchange theorists maintain that the theory has explanatory features applicable at all levels of practice, but there are gaps in understanding how this implementation may occur. Interestingly, the theory is evaluated as being most appropriate for micro systems and placing low emphasis on diversity and empowerment (Robbins et al., 2006).

Relevance to Topic.

Social exchange theory offers some applicability to exploring the intersection among homeownership, foreclosure, and low-income communities. For example, an evaluation of what incentives motivated mortgage originators to approve loans with predatory terms could be explored. The theory has some significant limitations for this exploration, too. As mentioned previously, social exchange has a longer and richer history with explaining micro-level issues than macro. In addition, it also offers a weak conceptual framework for exploring issues of diversity, power, and empowerment. Most concerning to the application of this research area, “exchange theories make no

Table 5 Social Exchange Theory Conceptual Framework

Key Concepts
<ul style="list-style-type: none"> • Individuals choose those alternatives from which they expect the most profit. • Costs being equal, they choose alternatives from which they anticipate the greatest rewards. • Rewards being equal, they choose alternatives from which they anticipate the fewest costs • Immediate outcomes being equal, they choose those alternatives that promise better long-term outcomes. • Long-term outcomes being perceived as equal, they choose alternative providing better immediate outcomes. • Costs and other rewards being equal, individuals choose the alternatives that supply or can be expected to supply the most social approval. • Costs and other rewards being equal, individuals choose statuses and relationships that provide the most autonomy. • Other rewards and costs equal, individuals choose alternatives characterized by the least ambiguity in terms of expected future events and outcomes. • Other costs and rewards equal, they choose alternatives that offer the most security for them. • Other rewards and costs equally, they choose to associate with, marry, and form other relationships with those whose values and opinions generally are in agreement with their own and reject or avoid those with whom they chronically disagree. • Other rewards and costs equal, they are more likely to associate with, marry, and form other relationships with their equals, than those above or below them. • In industrial societies, other costs and rewards equal, individuals choose alternatives that promise the greatest financial gains for the least financial expenditures.

(Robbins et al., 2006, p. 366)

presumptions about the individual's moral character but view actions based on exchange as reasonable and expectable responses to the need to survive and accommodate the surrounding environment" (Robbins et al., 2006, p. 381). This limitation is significant because of the high costs some homeowners had to pay for the illegal and/or unethical actions of some financial institutions that resulted in foreclosure. Social exchange theory admittedly provides no context to evaluate that type of scenario. This conceptual gap, however, presents an opportunity for theory development and progression.

Summary

Based on the preceding analysis, functional theory of federalism and asset-based welfare theory both demonstrate the most promise in providing an explanatory framework for exploring the intersection of homeownership, foreclosure, and low-income

communities. Yet, there are meaningful opportunities for theory development and progression with social exchange and Marxist theory, too. Pieced together, these theories provide a critical and useful framework for exploring issues related to the intersection of homeownership and foreclosure.

Organizing Thoughts

Since the 1937 Housing Act, there has been a dual system of federal subsidies provided in this country. One system heavily subsidizes middle and upper income groups in ways that increase their wealth and led to greater asset accumulation. The other system provides a subsistence level of assistance to low-income groups that are admittedly designed to maintain a poverty-level existence. Research has demonstrated that low-income groups may also benefit from an asset-based welfare system (Brooks & Tivol, 2008; Sherraden, 1991). Homeownership is one such asset.

Yet, homeownership is not a panacea for every social, economic, or political challenge. Like middle and upper income groups, low-income communities can also suffer when inadequate regulatory or other public policy is not implemented to protect assets; however, unlike middle and upper income groups, low-income communities are hit harder when asset-stripping circumstances occur like the 2006 housing crash and subsequent Great Recession. In these circumstances, asset-based welfare theory and functional theory of federalism provide explanatory frameworks that may help researchers evaluate these complex interactions and identify strategies to preserve and develop future asset accumulation.

Gaps in Literature

The literature is beginning to document the impacts that low-income and minority communities experience in the wake of a housing crisis. However, research into this area is still emerging and there are significant gaps to be explored. Housing literature, and by extension, foreclosure research, has overwhelmingly focused on quantifying outcomes, including unit production, economic costs, and benefits (Elliott et al., 2012; Galster, 1983; Oliver & Shapiro, 1995; Rohe & Stewart, 1996; Shobe & Boyd, 2005) and normalized measures of individual and societal well-being (Blum & Kingston, 1984; Fogel et al., 2008; Green & White, 1997; Harkness & Newman, 2003; Hunter, 1975; Kasarda & Janowitz, 1974; Rohe & Stegman, 1994a, 1994b; Steinberger, 1981). A less developed body of housing research focuses on the deep meaning and symbols people associate with the social construction of “home” (Clapham, 2010; Doyle, 1992; Dunn, 2006; Mest, 2008; Ronald, 2008) and the lived experiences associated with accessing appropriate shelter (Ben-Yoseph, 2011; Dumbleton, 2011; Dupuis & Thorns, 1998; Jones et al., 1997; Liebow, 1993). Given the sacred and symbolic position homeownership holds in the United States, the privileged position of ownership in housing policy and the relatively unexplored experiences associated with foreclosure, an opportunity exists to develop knowledge in this critical area of scholarship.

Statement of Study Purpose

Homeownership, often described as part of achieving the American Dream, has increasingly been used as a tool to lift individuals and families out of poverty and into the economic mainstream. This asset-building strategy departs from welfare maintenance approaches that have typically defined service delivery to individuals and families

experiencing poverty (Sherraden, 1991). The goal of the asset-building strategy is to create wealth for individuals and families living in poverty through the mechanism of homeownership, rather than providing social welfare services that arguably maintain their low socio-economic status. As an asset development tool, homeownership has been demonstrated to increase political participation/civic involvement, psychological well-being, stability in relationships, wealth, and intergenerational transfers (Miller-Adams, 2002). In addition, a home may be leveraged to start a business or further one's education.

The 2006 housing crash and resulting economic recession that began in 2008 exposed concerns with the *homeownership-as-asset* strategy. Foreclosures rose to an all-time high, disproportionately affecting low- and moderate-income individuals, families, and communities. Foreclosure is the symbolic nightmare of the failed American dream of homeownership. It not only strips the asset-leveraging opportunities from a home but may also leave an individual, family or community in crisis. In the U.S., there is no guarantee to shelter. Housing is not considered a right but a market commodity. These economic conditions highlight the need for additional research on the impacts of homeownership and foreclosure in low-income and predominantly minority communities.

Given its relatively brief history and almost non-existent attention to the experience of low- and moderate-income homeowners, housing research could benefit from further development and progression. The purpose of this study is to address this significant gap in the literature in an attempt to explore how homeowners make sense and meaning of losing their home in foreclosure.

Therefore, the primary research question is: *What are the meanings that homeowners associate with the lived experience of foreclosure?* A secondary research question is posed to begin exploring the homeownership-as-asset theory: *To what extent can accounts of homeowners' meaning-making process inform homeownership-as-asset theory?*

Chapter III. Research Method

Driven by the research question's proposition to explore the meanings homeowners associate with the experience of foreclosure, a qualitative method was required to allow for deep and thick descriptions to be collected and analyzed (Denzin & Lincoln, 2000). Specifically, interpretative phenomenological analysis was the chosen research approach used to guide this exploration (Smith et al., 2012). This section provides detailed information on the research methods, data collection and analysis strategies, evaluation criteria, and ethical issues.

Research Design and Rationale

Interpretative phenomenological analysis (IPA) combines three philosophical foundations—phenomenology, hermeneutics and idiography—to approach qualitative and experiential research (Smith et al., 2012). Phenomenology provides a philosophical approach to study experience, hermeneutics is a philosophy concerned with interpretation, and idiography encapsulates a philosophical stance of the particular (Smith et al., 2012). This three-legged philosophical stool provided the foundation to explore and interpret the particular experience of homeowners who live through losing their home in foreclosure.

Phenomenology.

Although Edmund Husserl, a German mathematician and philosopher, is commonly identified as the father of phenomenology, records document that the term was first used as early as 1765 (Kockelmans, 1967). Further, Hegel was the first philosopher who developed a definition of phenomenology (Kockelmans, 1967). Inspiring Husserl, Hegel, in his book *Phenomenology of the Mind*, equated knowledge

with consciousness (Kockelmans, 1967). Husserl was also influenced by Immanuel Kant's thoughts on transcendental idealism (Drummond, 2008). Kant viewed transcendental idealism as being concerned with identifying the necessary conditions for experience (Drummond, 2008). Husserl ultimately rejected many specific details of Kant's perspective, but the two philosophers were in agreement about the transcendental subject (Drummond, 2008). Kant and Husserl considered a transcendental subject as being, "active in the disclosure of the world as experienced by empirical subjects in the world" (Drummond, 2008, p. 118). The implication of a transcendental subject is that meaning is made from interpreting and making sense of one's world at the same time one is experiencing living in one's world.

Strains of the transcendental subject are apparent in Husserl's identifying slogan of "zu den Sachen selbst," or "to the things themselves" (Drummond, 2008, p. 1). To uncover *the things themselves*, Husserl suggested the eidos must be analyzed, which are the essential structures of intentionality that characterizes the experience and objects of those intentional experiences (Drummond, 2008; Lavery, 2003). Intentionality is understood as a feature of conscious experience (Drummond, 2008; Lavery, 2003). Experience is some phenomenon or situation that is lived through or encountered in some manner that is intentionally or consciously captured (Drummond, 2008). Husserl identified three levels of consciousness:

- "Unified interweaving of psychic experiences in a unified stream of experience
- Inner awareness of one's own psychic experiences
- Mental or psychic acts for intentional experiences of all sorts" (Drummond, 2008, p. 54).

Yet, conscious experiences do not occur in isolation. When exploring the lived experience, situations and conditions must also be explored (Lavery, 2003; Padgett, 2008). This awareness and exploration is required for both researcher and participant. Husserl cautioned that those studying phenomena must “bracket,” or suspend, the ideas that represent thinking of the natural perspective rather than the transcendental, also known as *epoche* (Drummond, 2008; Van Manen, 1990; Wertz, 2005). Eidetic variation encourages, “imaginative and systematic variation to discover what features belong necessarily to any possible object” (Drummond, 2008, p. 67). Further, Husserl contends that researchers should use reduction techniques in an attempt to focus on the individual having the experience (Drummond, 2008). Only through this structured process does Husserl suggest that one can arrive at the thing itself.

Following World War I, Husserl began mentoring Martin Heidegger (Moran, 2005). During this teacher-student relationship, it became apparent the two philosophers viewed phenomenology differently. Husserl remained committed to transcendentalism, while Heidegger became more interested in the meanings people associate with their everyday *lifeworld* (Smith et al., 2012; Van Manen, 1990). Where Husserl saw phenomenology as the process of peeling back layers or structures until the *thing itself* is revealed, Heidegger contended the meaning-making process was inherently a subjective process in which one simultaneously interprets one’s world and one’s experience in it (Lavery, 2003; Smith et al., 2012). In Heidegger’s phenomenology, history, context and culture cannot be separated from a person’s experience and the meanings they associate with it (Lavery, 2003). Heidegger’s conception of *Dasein*, or “there-being,” reflects this experience of “always already thrown into this pre-existing world of people and objects,

language and culture, and cannot be meaningfully detached from it” (Smith et al., 2012, p. 17). Heideggerian phenomenology still reflects some Husserlian roots—including the foundational focus on lived experience and attention to intentionality—but the divergence from the *thing itself* to *there-being* is a critical shift and one that influenced this research study. The lived experience of foreclosure was explored from a *there-being* perspective, in which research participants are encouraged to share the meanings they have constructed in the context of their world and the people, objects, language, culture and history within it.

Hermeneutics.

When a lived experience is studied, there needs to be a mechanism to interpret and make sense of the accounts shared by research participants. The philosophical tradition of hermeneutics, or the art, theory and science of interpreting texts, is combined with phenomenology for this critical connection (Schwandt, 2007). Hans-Georg Gadamer, who was inspired by the work of Husserl and Heidegger, viewed hermeneutics as a way to extend Heidegger’s practical philosophy (Lavery, 2003). Gadamer (1989) contended that, “Language is the universal medium in which understanding occurs. Understanding occurs in interpreting” (p. 389). In particular, the hermeneutic circle offers an analytical process in which research participants’ words may be interpreted into meaning. The metaphor of a circle is used to communicate an iterative process in which the researcher moves back and forth from a “part”—a single word, phrase, interview, episode—to the “whole”—sentence, complete text, research project, complete life in an attempt to extract deep understanding of one’s lived experience (Lavery, 2003, p. 39; Smith et al., 2012, p. 28).

Table 6 Parts and Whole of Hermeneutic Circle

The <i>part</i>	The <i>whole</i>
<ul style="list-style-type: none"> • The single word 	<ul style="list-style-type: none"> • The sentence in which the word is embedded
<ul style="list-style-type: none"> • The single extract 	<ul style="list-style-type: none"> • The complete text
<ul style="list-style-type: none"> • The particular text 	<ul style="list-style-type: none"> • The complete oeuvre
<ul style="list-style-type: none"> • The interview 	<ul style="list-style-type: none"> • The research project
<ul style="list-style-type: none"> • The single episode 	<ul style="list-style-type: none"> • The complete life

(Smith et al., 2012, p. 28)

One of Heidegger's prominent contributions to hermeneutic philosophy is the concept of fore-structure (Smith et al., 2012). Fore-structure, or the researcher's previous knowledge and experience of the phenomenon, consists of three parts: fore-having, fore-sight and fore-conception (Benner, 1994; Ginev, 2013; Smith et al., 2012). Fore-having, or pre-understanding, recognizes that an individual interprets a phenomenon through past experiences and knowledge (Ginev, 2013). Fore-sight describes the existence of a pre-existing lens, or perspective, in which any particular individual views a phenomenon (Benner, 1994). Fore-conception acknowledges that an individual holds preconceptions about how the phenomenon will unfold (Benner, 1994). To attempt to mitigate the interference of the ever-present fore-structure, Heideggerian philosophy suggests researchers be transparent about their pre-understandings of the phenomenon of study (Smith et al., 2012,). In another departure from Husserlian philosophy, Heidegger rejected the idea of bracketing due to his belief that it is impossible to divorce oneself from one's experience (Lavery, 2003). For the purposes of this research study and in keeping with IPA methods, the researcher's pre-understandings of foreclosure are discussed in the following sub-section, researcher's pre-understanding of the phenomenon of foreclosure.

Researcher's pre-understandings of the phenomenon of foreclosure.

For several years, I worked for a statewide association and citywide coalition that provided policy advocacy, training, and other capacity-building services to community-based organizations. Most of the organizations who were members of both the statewide association and citywide coalition developed or provided affordable housing. In addition, some also provided preventive and intervention services to protect low- and moderate-income and minority homeowners from losing their homes, often their largest asset, in foreclosure. Preventive services often included homeownership education and credit counseling courses prior to the individual becoming a homeowner. Intervention services may have included foreclosure mitigation or other negotiation strategies that situate the borrower in a less harmful outcome than being forced into homelessness due to mortgage default. Long before the housing bubble burst in 2006, affordable housing advocates were concerned about the conditions they believed were resulting in the increase in foreclosures. I have been interested in seeing an effective policy response to foreclosure for nearly fourteen years.

Through the experience of working with community development corporations (CDCs), the communities they serve, and my research into this area, I embrace the idea of 'corrective capitalism.' Essentially the term describes the process in which community development corporations work alongside their neighbors to revitalize markets and social aspects in blighted neighborhoods (Pierce & Steinbach, 1987). In accepting this strategy, I also embrace the idea that the social welfare and development system is most effective in the U.S. context when it reflects its capitalist ethos. I think capitalism also is most

effective when it recognizes the need for appropriate and protective regulations. This aspect of a capitalist system is crucial, because it is my contention that the lax financial regulations and enforcement of the subprime lending market were economically oppressive and played a significant role in the foreclosure crisis.

In keeping with this ethos, I also believe that federal subsidies should incentivize and provide assets for individuals with low-incomes as they do for middle and upper income groups. I think this strategy should be embraced because an income and subsistence maintenance-welfare system only serves to keep people in poverty. Affordable homeownership is one of many asset development tools that may be leveraged to lift people with low-incomes out of poverty. However, I also recognize the continuum of human wants and needs and, in so doing, acknowledge that homeownership has limitations as an asset development strategy.

Idiography.

The final piece of the IPA philosophical triad is idiography. Idiography, or a focus on the particular, manifests in two ways in IPA: 1) commitment to the particular in significant detail and depth of analysis and 2) commitment to exploring particular phenomena through understanding the particular perspective of particular individuals in particular contexts (Smith et al., 2012, p. 29). In the context of this research design, the commitment was to explore foreclosure, in significant detail and depth, as each research participant experienced and made meaning from it.

Data Collection Procedures

In keeping with the attempt of IPA to invite research participants to extensively describe the lived experience of homeownership to foreclosure from their own

perspective and build initial rapport, semi-structured interviews began with the following question: Can you tell me how you came to be a homeowner? Additional broad, open-ended questions followed. The full interview schedule is found in Appendix A, which reflects recommended questions posed by Smith et al. (2012) representing descriptions, narratives, structural, contrast, evaluative, circular and comparative. In addition, where necessary to illicit deeper and richer meanings, appropriate prompts and probes were used—for example, can you tell me more about that (experience, situation, etc.), what do you mean by (specific word, phrase, etc.), why, how, tell me what you were thinking when (experience, situation, etc.), tell me what you were feeling when (experience, situation, etc.) (Van Manen, 1990). The researcher digitally recorded each interview, which lasted anywhere from approximately 68 to 91 minutes each. It was the goal of the researcher to conduct each interview as a “conversation with a purpose” (Smith et al., 2012, p. 57).

In an additional attempt to respect and empower participants, I encouraged them to identify interview locations in which they would be most comfortable but confidentiality would still be maintained. I offered suggestions such as private meeting rooms at the local public library, private meeting room at a local community center, local coffeehouse or restaurant. One participant chose to meet at a local library in a private meeting room. Two participants identified local restaurants in which they felt most comfortable. Two other participants felt most comfortable in sharing their experiences at local coffeehouses.

Interviews were transcribed by a qualified transcriptionist hired by Landmark Associates, which is a provider of transcription services for academic researchers. The

transcriptionist signed a confidentiality agreement and adhered to stated confidentiality and security standards. The data handling process ensured confidentiality of the research participant and integrity of the data. The researcher electronically uploaded each digital audio file to a password protected account with Landmark Associates. Then, a transcriptionist accessed each secure file, provided a pseudonym and de-identified the data, completed the transcription, and then sent the researcher an email notification that the interview was available in the researcher's password-protected account. The researcher then accessed the secure file and verified the accuracy of the transcription against the original audio file. All electronic documents are maintained on a secure server and password-protected laptop. Printed documents are secured in a locked file cabinet. Another source of data is the researcher's field notes and reflexive journal. The purpose of the field note and reflexive journal is to document the researcher's observations, impressions, and interactions prior to, immediately following and throughout the research process (Smith et al., 2012).

Data Analysis Strategy

Data was analyzed using the six-step model of Smith et al. (2012). Each of the six steps are outlined in the following sub-sections and reflect the conceptual framework of the hermeneutic circle—where a researcher moves back and forth from interpreting a “part”—a single word, phrase, interview, episode—to the “whole”—sentence, complete text, research project, complete life in an attempt to extract deep understanding of one's lived experience (Laverty, 2003, p. 39; Smith et al., 2012, p. 28).

Reading and re-reading.

The intention of step one is for the researcher to immerse herself in the participant's lifeworld. Smith et al. (2012) recommend listening to the audio recording along with the researcher's first review of the written transcript. I followed this guidance for each interview. Not only did it reconnect me with the participants' experience, emotions, tone and meaning but it also served a more pragmatic purpose. In a couple of instances, I identified where my original recording was not fully uploaded to the transcription service. If I had not engaged in this activity, it is possible I would have missed key experiences highlighted by the participants.

Further, reading and re-reading the participant's account of the lived experience required a "slowing down (of) our habitual propensity for 'quick and dirty' reduction" and placed the focus of analysis on the participant (Smith et al., 2012). This step reflected the idiographic nature of IPA Idiography, or a focus on the particular in considering significant detail of experience and exploration of the particular phenomena of foreclosure through understanding the particular perspective of particular individuals in particular contexts (Smith et al., 2012).

Initial noting.

Smith et al. (2012) consider steps one and two to be the most intense and involved as the researcher carefully and deeply reviews the transcript. Initial noting included three-levels of analysis: descriptive, linguistic and conceptual (Smith et al., 2012). When engaging in descriptive analysis, the researcher focused on the subject of the participant's narrative. The descriptive analysis was a "face-value" review of the participant's "descriptions, assumptions, sound bites, acronyms, idiosyncratic figures of speech and

emotional responses” (Smith et al., 2012, p. 84). The linguistic analysis focused on the words and symbols used by the participant. In particular, the researcher examined, “pronoun use, pauses, laughter, functional aspects of language, repetition, tone, degree of fluency and use of metaphors” (Smith et al., 2012 p. 88). The last level of annotated analysis, conceptual, required the researcher to move more into an abstract-level of interrogation and interpretation (Smith et al., 2012). As the researcher asked questions to deeply explore the transcript, it was important to document and explore the researcher’s pre-understandings and possible subjective interpretation of the data. Smith et al. (2012) encourage researchers to engage in a “Gadamerian dialogue,” in which the researcher brings awareness to one’s pre-understandings and the emerging understandings of the participant’s experience (p. 89). The researcher documented her Gadamerian dialogue in her field notes and reflexive journal.

Following guidelines prescribed by Smith et al. (2012), the researcher followed the outlined process when making initial notes:

- Initially, reviewed a section of the transcription and made descriptive notes in a right-hand column. Designated descriptive analysis by using normal text (Times New Roman, 12-point font with no bold, highlighting or underlining).
- Next, reviewed the same section of the transcription and made linguistic notes in the same right-hand column. Designated linguistic analysis by using italicized text.
- Then, reviewed the same section of the transcription and made conceptual notes/questions in the same right-hand column. Designated conceptual analysis by using underlined text.

- Moved onto the next section of transcription and followed the steps outlined above until all text had been descriptively, linguistically and conceptually analyzed.

Developing emergent themes.

The third step in this six step analytical process required a balance between reducing the transcript volume while still maintaining depth of data (Smith et al., 2012). The researcher accomplished this goal by identifying emergent themes, or a “concise and pithy statement,” from the descriptive, linguistic and conceptual annotations that captured the complexity of “interrelationships, connections and patterns between exploratory notes” (Smith et al., 2012, p. 91). Themes are both descriptive and interpretative, reflecting an essential essence of a participant’s experience (Smith et al., 2012). At this step, the focus remained on the individual experience of each participant.

Searching for connections across emergent themes.

Working with data from the same research participant, the researcher then looked for connections across the emergent themes identified in step three of the analytic process. In looking for connections, the researcher considered the research question and the relevance of emergent themes. Smith et al. (2012) recommend typing all the emergent themes in a chronological list, reviewing the list, and moving themes around to form clusters of related or connected themes. The researcher placed relevant themes together while also reserving a place for themes that reflect opposite concepts and experiences (Smith et al., 2012).

Smith et al. (2012) identify several techniques to further identify connections between emergent themes: abstraction, which consists of grouping like themes together

into a super-ordinate theme; subsumption, where an emergent theme develops a super-ordinate status that allows for a grouping of related themes; polarization, which encourages the researcher to consider thematic differences; contextualization, which encourages a researcher to examine connections between temporal, cultural and narrative themes; numeration, which considers the frequency with which emergent themes appear; and function, which considers the distinct manner and meanings of emergent themes. When appropriate, these techniques were utilized by the researcher.

Moving to the next transcript.

In the fifth step, the researcher repeated the first four steps of the analytic process with the next participant transcript. In keeping with the idiographic underpinnings of IPA, it was important for the researcher to explore the particular experience of the next transcript. Examining the particular experience of each participant required the researcher to reflect on her fore-structure and newly acquired pre-understandings with the attempt to look anew.

Looking for patterns across cases.

In the final step of the analytic process, the researcher identified patterns across the participants' lived experience of foreclosure. In considering patterns, the researcher analyzed connections across participants' experiences, how themes in one case explained experiences in another case and themes that were most relevant to the research question (Smith et al., 2012). The analytic process ended when common themes were established and the essential essence of the lived experience of foreclosure had been articulated (Smith et al., 2012).

Participants

There are three common ways a purposive sample is identified in qualitative studies: 1) referrals, 2) network contacts, and 3) snowballing (Smith et al., 2012). In an attempt to maximize opportunities to identify potential research participants, all three purposive sampling techniques were utilized. A deeper discussion of the challenges and limitations concerning the identification of participants is covered in the limitations sections; although, details about the strategy are covered here. The researcher worked through a number of intermediary and service delivery organizations to identify possible participants:

- **Community Action of Greater Indianapolis (CAGI):** Largest not-for-profit, direct service provider of foreclosure prevention and intervention services in Indiana's largest urban county, Marion.
- **Indiana Association of Community Economic Development (IACED):** Statewide, non-profit association of nearly 200 community-based, not-for-profit direct service providers, many of which provide foreclosure prevention and intervention and affordable housing programs.
- **Indiana Association of Community Action Associations (IACT):** Statewide, non-profit association of Community Action organizations, not-for-profit direct service providers, many of which provide foreclosure prevention and intervention and affordable housing programs.
- **Indiana Housing and Community Development Authority (IHCDA):** State agency that provides funding to organizations that provide affordable housing, foreclosure prevention and intervention programs across the State of Indiana.

- **Mental Health America of Vigo County:** A locally-based, not-for-profit organization in Vigo County, Indiana that provides supportive housing services to individuals with mental health diagnoses.
- **Neighborhood Christian Legal Clinic:** Marion County-based, not-for-profit legal service provider that provides consumer advocacy services related to housing and foreclosure issues.
- **United Way of Bartholomew County:** Bartholomew County-based, intermediary organization that funds human service organizations.
- **United Way of Central Indiana (UWCI):** Intermediary organization serving counties in Indianapolis metropolitan statistical area; provides funding for human service organizations.
- **Visiting Nurse Association (VNA) and Hospice of the Wabash Valley:** Direct service organization located in Vigo County, Indiana; provides palliative care services.

Out of this extensive outreach effort, only one of five research participants was identified. Interestingly, the organization that connected the researcher with one of the participants was the VNA and Hospice of the Wabash Valley, which is a palliative care organization and does not provide any direct services concerning housing or foreclosure issues. The remaining participants were identified through referrals from individuals who were aware of my research and shared the research invitation and study information sheet with friends, family members, and colleagues.

Due to its qualitative approach, IPA privileges quality, and not quantity of, interviews (Smith et al., 2012). A homogeneous sample is not intended for

generalizability but for deep exploration of a shared phenomenon (Smith et al., 2012).

Homogeneity of the sample was achieved by ensuring that all research participants had experienced foreclosure. To incentivize participation and acknowledge the time and effort of participants, a monetary incentive in the form of a \$20 gift card was provided to participants.

Evaluation Criteria

Yardley (2000) identifies four sets of criteria reflective of sound qualitative research, which the proposed study strived to uphold: sensitivity to context; commitment and rigor; transparency and coherence; and impact and importance.

Sensitivity to context.

Yardley (2000) provides some examples of how a researcher may demonstrate sensitivity to context, including familiarity with relevant theoretical and practice literature, empirical data, sociocultural setting, participants' perspectives, and ethical issues. Not only was the researcher familiar with the theoretical and practice literature that focuses on housing and foreclosure but also on phenomenology and hermeneutics. In addition, by nature of her professional and practice background, the researcher is deeply acquainted with relevant empirical data on housing and foreclosure. Further, the researcher is intimately connected with the sociocultural context and anecdotal participant perspectives related to housing and foreclosure. The researcher adhered to the highest ethical conduct throughout the research process. In addition to fulfilling requirements of human subjects review, the researcher regularly engaged her committee in discussions regarding ethical issues. She was also sensitive to power differentials

between researcher and participant and incorporated empowering and emancipatory language and behavior into the participant-researcher relationship.

Commitment and rigor.

Yardley's (2000) second set of criteria include commitment and rigor which are manifested through the researcher's "in-depth engagement with the topic; methodological competence/skill; thorough data collection; depth/breadth of analysis" (p. 219). By its very nature, IPA is concerned with deep exploration of a particular phenomenon. Further, IPA provides a sound methodological framework to illicit thorough data and a prolonged immersion in data analysis. Smith et al. (2012) acknowledge the difficulty in providing a general estimate but conjecture the analysis stage for six cases to last a minimum of six months based on a full-time schedule.

On the issue of methodological competence and skill, it should be noted that the researcher, as a Ph.D. candidate, is a novice. The researcher has engaged in one other phenomenological study and other qualitative research. She also attended the Institute for Heideggerian Hermeneutical Methodologies hosted by the Indiana University School of Nursing. To further build methodological competence and skill, the researcher continued to immerse herself in the phenomenological and hermeneutic literature and also consult with her committee when necessary.

Transparency and coherence.

To demonstrate transparency and coherence, the researcher was clear in her final narrative, transparent in her methods and data presentation, and established a fit between theory and method and addressed reflexivity (Yardley, 2000). The researcher maintained field notes and a reflexive journal to not only clearly illustrate the research process but

also to provide transparency of the author's subjectivity and bias. In addition, the researcher included extensive excerpts of transcribed text in tandem with her interpretations in order for the audience to clearly follow the meaning-making process of the lived experience of foreclosure.

Impact and importance.

Yardley's (2000) last set of criteria answers the all-important "so what" question. Ethical research should have some level of theoretical relevance and practical application. Specifically, this criterion was demonstrated through the research's ability to enrich theoretical understanding, socio-cultural and practical impact (Yardley, 2000). Smith et al. (2012) explain the appropriateness of having a secondary research question concerned with informing—not testing—theory. This research included a secondary question that explored how homeowners' experience with foreclosure may help to explain and inform the homeownership-as-asset theory. In addition, this research added to the theoretical development and progression of IPA. The explicit purpose of this study was to explore the experience of homeowners who experience foreclosure. The findings and analysis inform housing policy and practice.

Ethical Considerations

In addition to university Institutional Review Boards (IRB) and other governing bodies, social work researchers are also guided by their professional Code of Ethics (NASW, 2008). All social work conduct, including scholarly research, should stem from the six core values as articulated in the Code (NASW, 2008): provide *service* to people in need and address social problems; challenge *social injustice*; respect the inherent *dignity and worth of every person*; value the *importance of human relationships*;

demonstrate *integrity* by behaving in a trustworthy manner and practice in their area of *competency* (para. 7). In specific regard to this research study, other critical ethical considerations included providing informed consent, engaging in a culturally competent manner, ensuring the privacy and confidentiality of research participants and informants, and inviting review of research records when appropriate and with confidentiality standards (NASW, 2008). Relevant sections and of the Code of Ethics (NASW, 2008) and their implications for this proposed study are discussed in the following sub-sections:

Self-determination.

Research participants were able to participate or end their involvement in the study at any point. As part of the informed consent process, the researcher clearly explained the right of self-determination prior to beginning all interviews.

Informed consent.

The researcher clearly informed participants about the research, its purpose and the risks associated with their participation in the study. The primary risk to participants was minimal; however, it was explained that participants may experience emotional discomfort when discussing their experiences. The researcher prepared a list of relevant service providers to distribute to participants following interviews. Since a monetary incentive was provided to participants, the researcher thoroughly explained that no additional services or participation was required. In addition, it was explained that the participant may end their involvement with the study at any time.

Cultural competence.

The researcher acted in a culturally competent manner and respected the inherent dignity and worth of each participant.

Privacy and confidentiality.

The researcher took reasonable steps to ensure the confidentiality of all participants and of the data. Each participant was assigned a pseudonym and all data was de-identified. The researcher used password-protected files and computer for electronic documents and data. All hard copy data is maintained in a locked file cabinet in a secure location.

Access to records.

The researcher will continue to provide reasonable access to data associated with each participant.

Chapter IV. Findings

Prior to introducing the essential theme, themes and sub-themes, it is helpful to understand the “parts of the sum” context of the research participants. Accordingly, a brief contextual profile is provided for each participant in the order they were interviewed. To protect confidentiality, all individuals are identified by a pseudonym. In addition, where identities may be discerned, geographic locations, employers and other information was modified. Consideration was also given to maintaining the authenticity and integrity of the lived experiences; therefore, de-identification modifications were only made in the most judicious and ethical circumstances.

Although each contextual profile is unique, two underlying patterns are shared by each participant: 1) pivotal life moment, and 2) confounding life challenges. A pivotal life moment may be described as the critical event in a person’s life that results in financial decline into foreclosure. Connected to pivotal life moments are confounding challenges. Confounding life challenges are significant events or barriers that appear one after the other, making it extremely difficult for the research participants to regain their financial footing. I use the term confounding to illustrate bewilderment or confusion. Sometimes it would appear, a participant might be on the cusp of righting their financial ship, and then another confounding life challenge would surface, knocking the rudder out of the participant’s hands. Frequency, scope, and duration of confounding life challenges vary with each participant; however, with each confounding life challenge, it appeared participants would lose their financial direction a little more until at some point the wave of barriers seemed too insurmountable to overcome.

Contextual Profiles

Linda.

Linda is a White, 67-year-old female who has been employed in professional positions most of her working life. She was 53 years-old when she purchased the home that was foreclosed. The home was purchased in 2000 and went into foreclosure eight years later in 2008, when Linda was 61 years-old. The \$1,500 monthly mortgage payment remained consistent throughout her time in the home. At the time of foreclosure, the mortgage servicer was J.P. Morgan Chase. Linda was not a first-time homebuyer. She held mortgages on at least two other homes prior to the one that was foreclosed. Linda is married and lives in Central Indiana, which is also the location of the foreclosed home.

Linda's pivotal life moment occurred when she received a terminal cancer diagnosis. The diagnosis set off a series of confounding life challenges for Linda. After receiving the cancer diagnosis, Linda knew she would not be able to continue in her demanding position as director of a community development corporation and she resigned. Further, between the cancer diagnosis and loss of income, Linda was not able to physically and financially maintain her home. Understanding real estate and housing finance, Linda worked quickly to line up a buyer for a short sale:

...I was diagnosed with cancer. Because of the extreme chemo and radiation that I had to take, I was no longer able to work. That is what caused me to get into trouble because of the responsibility for the mortgage. The mortgage was in my name. My husband was living out west because he was doing contract work. We were maintaining two homes—and all sorts of things like that. I found a buyer for the home because I realized I wasn't going to be able to maintain it. I really—I physically couldn't maintain because it's almost 6,000 square feet. Physically, with the health issues, I couldn't do that.

Considering the weak housing market at the time and improvements the buyer had planned to make, his proposal was less than the mortgage pay-off. Linda explains:

I found a guy that was going to flip the house, who was going to do some remodeling that I planned to do, and then, flip it. In order to do that, he offered a price that was about \$2,000 below what the mortgage pay-off would have been.

Linda presented the proposal to J.P. Morgan Chase who declined the offer. After several attempts to negotiate a short sale with J.P. Morgan Chase and three months into her six-month terminal prognosis, Linda's health began to decline dramatically, "I got down to 80 pounds. I couldn't get myself outta bed, and so I couldn't even cook for myself."

Needing to focus on her health and experiencing no willingness on Chase's part to negotiate a work-out, Linda prioritized her health, reluctantly accepted foreclosure, and filed for bankruptcy. When describing what it was like for Linda to care for her health and maintain the mortgage while also dealing with the loss of income and professional identity, she responded that, "it was another, just another bomb." Despite Linda's terminal prognosis and estimated six months of life after diagnosis, seven years later, with an indomitable spirit and resilient character, she is still very much alive.

Helen.

Like Linda, Helen was 53-years-old when she purchased her Southern Illinois home in 2002. Helen, a White female, was 60-years-old when her home was foreclosed. She is now 65- years-old. Helen financed her mortgage through a local bank, Regents, in southern Indiana. She was also employed in southern Indiana, where she remains employed and now lives. Helen lived in her home for seven years before it went into foreclosure in 2009. Helen was married when she purchased her home but divorced by the time of the foreclosure. Helen endured years of domestic abuse:

It was a long---not so maybe physically abusive as mentally abusive relationship, where it just drains you physically.

...part of my situation was my husband, who became my ex-husband after 25 years, and he wouldn't allow me to have the relationship that I wanted with my family. He was a very controlling type person. From the very beginning, he wouldn't let me go see my family hardly ever. They didn't come up a whole lot either, because feeling so uncomfortable while they were here.

Helen's divorce appears to be the pivotal life event that precipitated the loss of her home.

These two significant life disruptions are among many that Helen has endured. Her marriage was characterized by domestic abuse often resulting in mental distress and isolation. A critical juncture in Helen's marriage occurred when her husband, Henry, presented an ultimatum. His demand was for her to either chose remaining in the marriage or having a relationship with her adult children. In addition to isolating Helen from extended family, he began to separate her from her children once they were adults:

I guess it was the ultimatum, "You're not going to see them anymore." They (her children) were coming---sneaking in to see me at work. They would bring them in to work so I could see my kids. I guess you just kinda get tired of it. My daughter was married and had a baby. You're not being able to be around anybody.

Without communicating her decision to Henry, Helen went to work the next day never to return home to Henry. After 25 years of marriage, Helen made the decision to divorce Henry.

Although Helen was the primary breadwinner with Henry only contributing sporadically and minimally to the family income, the tighter financial margin following the divorced proved too much for Helen to bridge:

He didn't work much the whole 25 years probably. He never held down a job for a whole year, probably, any of that period of time at one time.

Shortly after the divorce was final in 2006, it became clear she could not carry the household expenses alone. When she purchased the home, the original mortgage was \$450/month. Over the course of seven years, the mortgage increased to \$550/month. Although by most considerations, a modest mortgage, it was beyond the means of Helen's income. Helen attributes having to file taxes as a single person rather than as married as a confounding life challenge from which she was unable to recover:

We went through the divorce. Then that was in—it was final in 2006. Then in 2007, then I started the proceedings toward bankruptcy, because I just couldn't keep up with the house payment and everything. I mean I don't know, I don't know what actually changed so much. The income probably hadn't changed a whole lot.

I mean you don't get to count him as a tax deduction, because you don't have that husband, which doesn't make sense, but you still lose—you lose money at tax time.

Dorothy.

Dorothy, a Black female, was 47-years-old when she purchased her northern Indiana home that eventually was foreclosed. Like Linda and Helen, Dorothy was not a first-time homebuyer, yet, this time would be the first occasion Dorothy would buy her home as a single person. Dorothy was ecstatic to move into her home:

I loved the thought of bein' a homeowner. I love the house.

Dorothy was one of the millions of people who purchased a home in the relaxed financial environment of the late 1990s and early 2000s. She moved into her home in 1999. Five years later, in 2004 and at age 52, her house went into foreclosure. Dorothy is now 62-years-old.

Dorothy's pivotal life moment was the approval of her unaffordable and unsustainable mortgage loan. Dorothy's initial mortgage payment was \$600/month. Due

to a 2-1 buy-down financing structure and a loan process with some likely predatory features, by the time she went into her foreclosure, her monthly mortgage increased to \$1,000/month:

Well, like I said, my house payment went from \$600/month to \$1,000/month. The first year that it went up I struggled.

Dorothy was approved for a \$103,000 mortgage on a \$25,000 annual wage. When her mortgage increased in the second year, Dorothy was paying almost 50% of her income towards housing expenses. This confounding life challenge made it impossible for Dorothy to sustain her mortgage. In order for housing to be considered affordable, a person should not pay more than 30% of their income for housing. Ten years after her foreclosure, Dorothy continues to share her story because she is committed to saving other people from the devastating situation she went through:

These are actual people whose lives you're affecting. We may not be the best credit wise, but you're still a hard working person who's trying to do better. Unscrupulous people are taking advantage of the situation because they knew. When they were writing these loans, they targeted single women, apartment complexes, and for a long time, even after I bought my home, up until we started organizing and doin' interviews and everything.

Dorothy was actually turned down for a mortgage prior to its eventual approval. At the time of her mortgage rejection, she requested to be reimbursed for the money she had put down for the home. The lender did not return the money. Instead of standing behind the outcome of the original underwriting, the lender reversed their decision and approved Dorothy's loan:

I told Irwin (lender) in the meeting, the representatives, that I was told by their loan officer that I could not afford that mortgage. I'm like, "If I couldn't afford it, why did you approve it? Because that was the conversation we had before they gave me a closing date. Because I called them. I'm like, "Okay. This has been goin' on for four months now. If I

can't afford the house now, I couldn't afford the house when we started. If I can't afford the house, then just say that."

There appear to be two, at best, questionable, at worst, predatory reasons the loan was able to pass through underwriting. The lender had previously told Dorothy if she did not have a car payment, it would be easier to approve her for the loan. After Dorothy was in an accident and the car totaled, the lender revisited her debt-to-income ratio. Although most reasonable people understand the absence of a car payment was temporary, the lender took advantage of the situation. Further, Dorothy later learned, based on a review conducted by a HUD field office, it appeared the lender counted her retirement savings as income. Even though Dorothy was only 47 years-old when she purchased the home and had no immediate plans for retirement, the lender counted the savings as if Dorothy had immediate access. It was under these unethical underwriting practices that Dorothy's loan was approved. The originating lender, Irwin Mortgage, a local, Indiana-based company, went out of business in 2013. At the time of the foreclosure, the mortgage servicer was J.P. Morgan Chase.

Heather.

Heather, a White female, was 40-years-old when her home went into foreclosure in 2012. She was 27 years-old when she and her husband, Mike, purchased their first home in Central Indiana. The Hortons purchased their modest home in 1999, paying an initial mortgage payment of \$350/month:

We had lived in an apartment probably, I think it was two years into our marriage. My husband's parents just kept pushing us, that homeownership was the way to go. That's the American Dream, is to own your home. We didn't have the greatest of credit, so they did cosign the loan for us. It was a small but cute house. Nothing of my dreams, but we got the loan approved with their help.

In 2006, Heather and Mike decided to refinance their mortgage to consolidate an unexpected tax bill, credit card debt, and other expenses. The refinance served as the pivotal life moment for the Horton's. The refinance was based on a bogus, lender-supported appraisal:

That's kinda when things started. We decided we have a little bit of debt, so let's go ahead and re-mortgage the house. We did, and we had someone come through and inspect it. They appraised it for I think it was \$85,000.00, which was ridiculous [*laughter*]. When, really, the home's value was probably more like 40, 45,000.

Heather and Mike tried to right-side-up their upside-down situation; however, they were unable to rebound after the mortgage refinance. They declared bankruptcy and their home went into foreclosure in 2012. Of all the research participants, Heather lived in her home the longest, 13 years. Among the participants, she also appears to have most fundamentally shifted her perspective of homeownership and rental living.

Due to the age of their home, approximated to be constructed in the 1940s, Heather and Mike's situation was confounded by a number of home repair expenses. Twice, their roof was damaged by broken tree limbs due to heavy storms. Several times, they covered plumbing expenses. Heather estimated a total of six to eight plumbing calls, which cost \$200/call resulting in expenses of \$1,200 to \$1,400:

Yes, the fact that we never knew how much something was gonna cost. Would we have enough money? We were trying to build up savings, but it felt like, every time we had built up savings, something would happen to the home that we would have to fix. Yeah, that was just not knowing. Just not knowing how to do it, also. Just not having a clue. We had a father-in-law that would help—thank goodness for him—but yeah, that was the stressful part. Money stress is a stressful thing, anyway, but to not know.

After the Horton's refinanced their home, additional unexpected expenses arose that made it more challenging to cover the doubled mortgage payment:

It wasn't immediately. We noticed things getting a little tighter. Then, one of our vehicles just completely gave out and we got a new vehicle. We had some medical issues. My husband went into the hospital. That was a significant—even with having insurance that was a significant bill. Then, we continued to have the credit card debt, so that, also. Even paying the minimum on those was starting to hurt.

Although Heather and Mike were diligent about trying to make ends meet, being upside-down in their home was a confounding life challenge they could not overcome; they left their home and initiated bankruptcy proceedings.

Jessica.

At 28-years-old, Jessica is the youngest participant. A White female, she was employed as a manager of a fast-food restaurant when she and her husband, Jason, purchased their home in 2011. They moved into their first home, located in Central Indiana. At the time of purchase, Jessica was 26 years-old and Jason was 21 years-old. M/I Homes served as both the developer and financier of the home. Once the home was constructed, the Jones family made two payments to M/I homes before the mortgage company sold the loan to US Bank. The initial mortgage payment was the same as the final one, \$830/month. The Jones family lived in the home for approximately 2.5 years before vacating the home when foreclosure proceedings were imminent.

Although Jessica and Jason were only in the home for two years, substantial and confounding life events occurred over this short period of time. The Jones family grew to include three children. In addition, Jason's parents moved in with the young family in 2012, a year after they built and moved into the home. Much to Jessica's surprise, her in-laws brought some uninvited guests with them—bedbugs:

...his parents had hit a rough patch and move-in with us for a while. When they did, they brought all of their stuff and didn't tell us that they were having issues with bugs. When they brought all their stuff, I started seeing

little bugs on the wall. I was like, “What are those bugs?” I had an exterminator come out, and it was a bedbug.

The combination of Jason’s parents moving in along with the extermination cost of addressing the bedbug infestation represents a pivotal life moment for this young family:

They infested the house. Then I had to—for them to fix it, it was gonna cost us like \$2,000. I had to pay \$2,000 for them to do the treatment to get rid of the bedbugs. It was rough. That was right when I stopped working at a fast food restaurant. I was babysitting one kid at the time, so I didn’t really have an income. That was supposed to be—we used our tax refund money, and that money was supposed to go to catching up the mortgage. Instead, I had to pay an exterminator.

Now, instead of being a couple of months behind on the mortgage, the Joneses were a couple more months behind. Confounding this situation, Jessica had become reliant on seasonal and sporadic employment as she attempted to balance work schedules and raising her children. When Jessica became pregnant with her third child, the families she babysat for grew concerned about her ability to continue taking care of their children. Almost at once, they all ended their arrangement with Jessica. Although, at one point, Jessica worked to get caught up on the mortgage, the family was now behind again.

In addition to the financial challenges, interpersonal tension began to grow between Jessica and Jason. Rooted in division created by Jason’s parents residing in the Jones’ home and the financial burdens associated with their stay, the couple began to fight:

I filled out the paperwork, and the reason, the big reason why we decided to just leave—and on top of this with all the issues with his parents and all that. He’s very attached to his family so because they caused that issue, it was causing tension between us.

There was times where he would move in and out and move in and out. Then I’m sitting here like, I can’t afford this by myself. He was just in and

out all the time because he—the fights would escalate, and it was always about his family. We would never fight unless it was about his family because he's very defensive when it comes to them.

Seeing no way to make-up the mortgage payments again and dealing with increasing marital conflict, Jessica's family moved out of the house and she filed for bankruptcy.

Contextual Summary.

As noted in the contextual profiles, each of the participants experienced a pivotal life moment, which often pinpoints the moment when life's challenges become insurmountable and the individual slides into foreclosure. For Linda, her pivotal life moment was the cancer diagnosis and terminal prognosis. Helen's divorce was a triumphant moment of liberation but also served as the precipitating life event that pushed her into foreclosure. Dorothy's pivotal life moment occurred before she even stepped one foot into her house. The predatory features of her loan set her up for failed homeownership. Although challenged by persistent home repair issues, Heather's family could still easily manage their modest mortgage of \$350/month. An inflated appraisal that doubled the Horton's mortgage overnight turned their financial situation "upside-down," where they had more home debt than home value, and were never able to financially recover. Their refinanced mortgage represents their pivotal life moment. Lastly, Jessica's young family became emotionally and financially overburdened by her in-laws moving into their home. The unexpected \$2,000 extermination expense diverted funds the Jones family planned to use to catch up on their mortgage payment. Not only did the extermination expense put the family further into a financial hole but it introduced an interpersonal drama triangle among Jessica, Jason, and his parents. The extermination expense was a clear pivotal life moment for this young family.

Without exception to the pattern, each participant's pivotal life moment was either preceded by or followed by a wave of confounding life challenges. Although the life challenges were unique to each participant, a shared pattern of having a challenge arise, meeting the challenge, and, yet, experiencing another arising challenge—over and over until the participant was so rolled over by the wave of challenges, they were no longer able to come up for air. This shared pattern of pivotal life moments and confounding challenges is interwoven into the essential experience of foreclosure among these participants: disconnection.

Table 7 Participant Demographic and Personal Characteristics

Participant	Age at Home Purchase	Age at Foreclosure	Age at interview	Marital Status at Foreclosure	Race	Employer at Home Purchase	Pivotal Life Event
Linda	53	61	67	Married	W	Not-for-profit community development organization	Cancer diagnosis
Helen	53	60	65	Divorced	W	State agency	Divorce
Dorothy	47	52	62	Divorced	B	University, professional school	Predatory loan
Heather	27	40	42	Married	W	Correctional facility	Refinance based on inflated appraisal
Jessica	26	28	28	Married	W	Fast food restaurant	In-laws move in; associated bug infestation

Table 8 Participant Housing Characteristics

Participant	Location of Home	First-time homebuyer	Purchase Year	Foreclosure Year	Years in Home
Linda	Central IN	No	2000	2008	8
Helen	Southern IL	No	2002	2009	7
Dorothy	Northern IN	No	1999	2004	5
Heather	Central IN	Yes	1999	2012	13
Jessica	Central IN	Yes	2011	2013	2.5

Table 9 Participant Mortgage Information

Participant	Mortgage at Purchase (\$)	Mortgage at Foreclosure (\$)	Lender at Purchase	Servicer at Foreclosure
Linda	1500	1500	J.P. Morgan Chase	J.P. Morgan Chase
Helen	450	550	Regents	Everhome Mortgage
Dorothy	600	1000	Irwin Mortgage	J.P. Morgan Chase
Heather	350	700	Capital One	Unknown
Jessica	830	830	M/I Financial	US Bank

Essential Pattern of Experiencing Foreclosure: Disconnection

In its most fundamental and reductionist sense, a foreclosure represents the physical disconnection of a homebuyer from the material possession of a house. Yet, when one deeply interprets the common, unifying pattern of foreclosure among the participants in this study, it is discovered that this lived experience represents much more than any simple disconnection from a physical structure. The unifying theme at the foundation of each participant's meaning-making experience of foreclosure was a profound sense of disconnection. More than being physically displaced from one's home, foreclosure represents disconnection on many levels—micro, mezzo and macro.

One of the most fundamental disconnections participants experienced was a separation from self. This shared experience is articulated as *Theme 1, Foreclosure creates a disconnection from self*. Participants began questioning their identity. The experience of foreclosure challenged the essence of who the participants thought they

were. Foreclosure represented a disconnection from an idealized self, which was intimately connected with the identity of “homeowner.” Foreclosure also represented a disconnection between a homebuyer and their knowledge of housing finance. This shared experience is represented in *Theme 2: Foreclosure represents a disconnection between a homebuyer and housing finance literacy*. Most participants simply did not understand the technically and, sometimes, highly-complex nuances of the home buying process or of housing finance. This lack of knowledge put many of the homebuyers at risk of being exploited. This theme connects to the next one, *Theme 3, Foreclosure reflects a disconnection in the relationship between a lending institution and a borrower*. Five sub-themes were discovered within this theme, including: a) geographical distance between lender and borrower, b) service disruption when flipping loans, c) ethical violation in underwriting standards, d) relationship break from lender as trusted advisor, and e) lack of accountability of shared responsibilities between lender and borrower. When a relationship was broken between a lender and borrower, it was discovered that home buyers were not able to fully experience the perceived benefits of homeownership. This experience is reflected in *Theme 4, Foreclosure represents a disconnection between a homebuyer and the benefits of homeownership*. Participants articulated this experience in specific ways, which make-up sub-themes of this finding: a) disconnection from shelter; b) disconnection from gathering place; c) disconnection from freedom and ownership; and d) disconnection from asset creation. Lastly, in some variation, all participants were employed in social service-based, helping-based, or low-wage positions. Although experienced uniquely, each participant was impacted by a disconnection emanating from their employment and the experience of foreclosure. Consequently, the core of Theme 5

is *Foreclosure is a consequence of a disconnection between participants' social service-based, helping-based and/or low-wage employment and self-sufficiency*. The essential pattern, themes and sub-themes of experiencing foreclosure are illustrated in Figure 8. The analysis of themes and sub-themes are presented in the following five thematic findings. Analyses is based on my interpretation of participant text and tone and supported by exemplars from interview transcripts.

Figure 8 Essential Pattern, Foreclosure as Disconnection

Essential Pattern: Foreclosure is Disconnection

Theme 1. *Foreclosure creates a disconnection from self.*

Theme 2. *Foreclosure represents a disconnection between a homebuyer and housing finance literacy.*

Theme 3. *Foreclosure reflects a disconnection in the relationship between a lending institution and a borrower.*

- Sub-theme a) geographical distance between a lender and a borrower
- Sub-theme b) service disruption when flipping loans
- Sub-theme c) ethical violation in underwriting standards
- Sub-theme d) relationship break from lender as trusted advisor
- Sub-theme e) lack of accountability for shared responsibilities between a lender and a borrower

Theme 4. *Foreclosure represents a disconnection between a homebuyer and the benefits of homeownership.*

- Sub-theme a) disconnection from shelter
- Sub-theme b) disconnection from gathering place
- Sub-theme c) disconnection from freedom and ownership
- Sub-theme d) disconnection from asset creation

Theme 5. *Foreclosure is a consequence of a disconnection between participants' social service-based, helping-based and/or low-wage employment and self-sufficiency.*

Theme 1: Foreclosure creates a disconnection from self.

Participants consistently used language that equated self with house and the loss of it. Participants spoke of losing their identity when they lost their house. They began questioning the essence of self and the extent of their own worth. In particular, Linda appeared to more fully articulate the connection between self and house and equating the loss of the physical structure of the home with the loss of personal identity. Perhaps this profound sense of disconnection was emphasized given her terminal diagnosis, which served as Linda's pivotal life moment. Linda consistently used the word "diminished" to explain how facing foreclosure and the related financial challenges made her feel. Linda explained why this process made her feel "diminished" and what that meant for her:

You lose your whole perspective of who you are. I mean, one day you're a successful person. You have family. You have friends. You have a good job. You don't worry about money. You are the one that is the caregiver, the nurturer—and then all of a sudden, you don't have the job, the profession. That's your identity. You don't have the home. You don't have the security. You're being told you're less than what you oughta be.

Linda elaborates on how deeply she felt her sense of self challenged. Despite her terminal illness and numerous attempts to negotiate a short sale, she internalized the foreclosure and financial challenges as a personal failing:

You've done something wrong, and it shatters what you had always perceived yourself as being of, like I say, a confident, competent individual.

It is striking that, at least at one time, Linda internalized this issue so deeply it shattered her identity:

It can almost take me down, it can take anyone down, but it did. It was tough. There were times when I said, "Why am I fighting this? Yeah, I don't even know who I am anymore."

The person I was no longer existed. It's tough.

This woman is the same person who not only lived past her terminal prognosis but has also done so for seven years now. Further, her defiant and indomitable spirit is the same one that evoked this exchange with her treating physician:

The doctor, when the lung cancer said, "There's no medical reasons why you should be alive. It's because you're so damn stubborn." Linda laughing, says, "Well, it's the truth."

Even with her notable resilience and defiance in the face of life's most significant challenges, Linda's strong sense of self was diminished by the experience of foreclosure.

Helen, like Linda, reflected a strong sense of personal responsibility. When she faced foreclosure, this central core of her character was challenged. She questioned her personal identity. Prior to the foreclosure, Helen demonstrated independence and responsibility, "My first home I purchased before I was married...because I didn't get married until I was 30." Maintaining steady employment, Helen has acted as the primary breadwinner for herself and family, "I have 20 years with the state, because I started in '93 with the juvenile detention center." Helen's identity was heavily rooted in her sense of responsibility. When she began struggling financially, this core sense of self was challenged:

Because I'd always paid my bills before. Before I got—with me...getting married later, I'd always been pretty well self-sufficient. I had a good job, I had a car, I had a home.

Then you get—you get all switched around, and you always go from payday to payday, and still can't make it go. I don't know, you just feel like you've lost something.

I think you lose your self-esteem. You feel like you're not worth as much as you were before, because now having to rely on the system to help you out. I wasn't brought up that way.

The experience of foreclosure disconnected Helen from the person she perceived herself to be. She lost her self-esteem and felt like her worth was diminished. Further, the foreclosure so separated Helen from the responsible person she fully identified with that she took on the feelings of being homeless, “You do feel homeless, kind of. It’s just not the same. There’s just no security there.”

In addition to challenging her sense of self and personal security, the foreclosure caused Helen to disconnect from the plans she had for her future:

I think it all goes back, again, to the security thing. Getting older, and not having to worry about a home. A home is the biggest part, probably, of a person’s life. It may not be much, but at least it’s a place to sleep, a place to eat, and your family’s there with you, whatever. If you don’t have that, you really don’t have anything.

From Helen’s perspective a home represents a fundamental aspect of a person’s life. She goes as far as to say, “If you don’t have that, you really don’t have anything.” It is hard to imagine a more definitive statement on the tremendous loss to self that Helen felt in losing her home.

Similar to Helen, Jessica always considered herself to be a responsible person and took pride in her work ethic. When she and Jason were first married, she was employed as a restaurant manager. Due to her heightened sense of personal responsibility, Jessica internalized shame through the foreclosure and bankruptcy process:

...it’s almost a little embarrassing cause people that know I lived there, they drove by it, and there’s this big foreclosure notice. It makes me feel like a failure. I mean, just not being able to take care of my responsibilities. I don’t wanna not pay my bills.

Despite numerous attempts to negotiate a work-out with her lender, Jessica began feeling that others saw her differently than the responsible identity she had embraced:

I think people that know me—I don't know. I just feel, I don't know, I guess I have the perception that someone who's in foreclosure is just—people judge you. That's what I feel, not necessarily that's what they're thinking but that's just how I—I feel like people will look at that and think...that it's my fault. I shouldn't have bought a house I couldn't afford.

The experience of foreclosure disconnected Jessica from positive behaviors she held dear:

...I feel like the credit report makes me look like I'm very irresponsible when it's like their take—they look at this snapshot, the most, this little snapshot of this bad time of my life when I was trying, but it looks like I just didn't pay any of the bills. They ignore the first 25 years of my life when they can see that I've not paid late; I've always paid my bills on time.

Foreclosure minimized Jessica's life, her being, into a "bad time." The whole of her identity was reduced to arguably one of the worst experiences of her life.

Like the other participants, Dorothy also thought of herself as a responsible, independent person. One of the aspects of homeownership she valued the most was, "Just feeling that I was able to accomplish something on my own. As a single person. On my income." Dorothy equated this responsibility as a sign of her independence. Although Dorothy now fully realizes and accepts she was not able to afford the home she was approved for on her own, the experience of foreclosure was devastating for her. Dorothy explained, "For me, it was devastating. It was [pause] the worst thing that could have possibly ever happened to me." This statement is significant when one becomes aware of all the confounding life challenges facing Dorothy at this time. In 2000, Dorothy's nephew, who she raised as her son, died. Two years later, in 2002, her father passed away. Two years later, in 2014, Dorothy's home went into foreclosure. Dorothy explains how she began disconnecting from her life:

When I lost the home, it was like...For a very long time, I was very, very depressed about it and didn't even realize I was depressed.

Some people are able to move on, but it's also a very—for me, it was very—I felt very beaten.

The resignation in Dorothy's account is apparent. Dorothy, who once took pride in her independence and who tenaciously fought to save her home, now felt beaten by the impending foreclosure. She retreated from self into a deep depression:

I was really very hurt when I realized the depth of my depression that no one that I worked with seemed to be able to say, "Hey, you need help." It's a really, a very, very long time (until Dorothy worked through the depression by herself). Probably up until maybe four years ago or so. I began to realize, "Hey, this is not right. This is not,"—I really began to realize that I had just been existing not living.

Just getting' up. Puttin' one foot in front of the other and keep movin' until you lay down. Then you get up and you do the same thing over again. Then it's like you real—I feel as though I really wasted that time of my life.

Dorothy's disconnection from her identity and life was so deep that she feels she did not return to living until four years ago in 2010, or six years after her home went into foreclosure. Dorothy demonstrates significant resilience and fight. Even ten years after her foreclosure, she is defiant and wants people to understand the profound impact the experience of foreclosure can have on one's identity and life:

It would be different had I just been one of these people who—I don't care about this. So what? They about to foreclose. I just go get me some place. No. This was an investment for me. This was my life.

Dorothy equated the house with her life. When she lost her house in foreclosure, through a deep depression, she also lost her fundamental sense of self.

Of all the research participants, Heather appeared to hold the most stigma and shame associated with the foreclosure and financial challenges. For Heather, the meanings she attached to homeownership were closely associated with responsibility:

I think it goes back to you're an adult. You're growing up. You're maturing. You're responsible. Responsibility equals having a house, keeping a job, having bills.

Conversely, when the Horton's were struggling to make ends meet, Heather's self-perception began shifting, "I was feeling like I wasn't responsible. I wasn't a responsible adult." As Heather's family fell further into debt, her normative identity and behaviors continued to shift:

Because not only did we have all this debt, our house is deteriorating. We have raccoons in our roof that we're trying to get rid of. We have water. We now need a new roof. Now, the house that I was once loved is also—I'm starting to be shameful of it. I'm inviting less—because we can't remodel because we can't remortgage.

Heather's feelings of shame intensified. The house she associated with demonstrating how responsible she was is now physically deteriorating. In essence, Heather viewed this deterioration symbolically—as a physical deterioration of her identity. People could visibly see the breaking down of her home. From Heather's place of shame, she internalized that people must also see she was not the responsible, mature person she had portrayed to them.

In addition to the attributes of responsibility Heather attached to homeownership, she also connected personal characteristics to their home. She anthropomorphized the home:

When you came home from work, even the smell—everybody has a certain smell. The smell of the house, it would just be like this is home, no matter what. It would be either a candle that I lit, or my *[laughter]*—a perfume that my daughter wears, or a cologne that my husband wore. You

could smell that. The smell of my dog being in the room, or whatever. It would just—you just walked in. Those were the smells. That’s my family [laughter].

For Heather, the home had not only taken on human-like qualities, but also the scents and fragrances of her family. Heather could not separate the physical structure of the home from the identity of her family. When the foreclosure happened, it also represented a deeply personal disconnection from her family—or, at least, the space she associated with her family:

I felt like I was giving that up...and to know that it would be empty...My husband, he works over there every once in a while. He’ll drive by it and just see all the curtains are still up. He’ll tell me. There’s just something. It’s just too emotional for me. Because I know, now it doesn’t have those smells. It has a musty smell to it...It’s just too emotional to even—maybe later on I could do it, but not now.

It is. It is (a real sense of loss). I never thought I would feel like that, but yeah, it is definitely---but it’s still there. It’s almost like I would imagine people going through a divorce. It is almost like a death. That person’s still living and breathing. The house is still there.

The comparison here cannot be understated. In one statement, Heather is connecting her family, actually embodying its human characteristics within the home. In another statement, Heather says, “I felt like I was giving that up” and equating the separation from the home as divorce or death. In some emotional sense, the foreclosure disconnected Heather from her family—or, at least, its identity. When asked how Heather would feel if she chose to go by the home, again, she again personifies the home, “I would feel like I would have to apologize, or to—I would feel so remorseful. I know I would just bawl, just because it’s almost like I gave up.” Heather’s extremely emotional and raw response underscores the deep sorrow she feels being disconnected from the home.

Heather's profound sense of loss, shame, and questioning of identity also appear during the bankruptcy hearing. In some ways, she was comforted to see other families who had endured financial challenges, too. It lessened her sense of shame but it also unearthed the negative self-perception she had accepted after the foreclosure:

...just to know other people had to make that same decision as we did, and some people—the two ahead of us were in way worse condition than us. Medical bills and the husband—one of 'em had a heart attack, \$200,000 in medical bills. She was on disability. He was a truck driver. She was a nurse, at one time. When she went on disability, there was no way that they could make it. It was just like, "Okay, you're not a bad person. There are other people."

Yet, despite what appears to be a rejection of the negative identity Heather had embraced, she easily falls back into a deleterious self-perception:

You have to say to people, your friends and family, "Hey, I don't know how to deal with money. Therefore, you may think I'm not responsible." ...bankruptcy is very much looked down upon. You're supposed to take care of your debts. You accrued all of this. You're the one who's supposed to take care of it. Biblically, too, it says in the Bible you're supposed to have no debt, zero balance, whatever. We had to confess that we don't. I had a very hard time accepting that I wasn't responsible for my money, that I wasn't responsible for how I dealt with money.

From Heather's perspective, her foreclosure manifested her sinful nature. Guilt, shame, and stigma were interwoven deeply in Heather's personal experience of foreclosure. The meaning she attached to the experience was that it affirmed she was a bad, sinful person who had to confess her immoral behavior to family and friends—and, publicly, in court. Heather discusses how she felt like she was on trial, invoking language of committing a crime, during the bankruptcy hearing:

...it was so set up like a courtroom that that's how it made me feel. There was a wooden panel between where the people they were talking with was sitting, and their lawyer. Then, the judge was in the middle, the bankruptcy judge. Then, almost like his courtroom person, whatever they're called. That's how it was set up. It almost made you feel like—

you're in the federal courthouse. That, in and of itself, is—that's where not great things happen. You're in a courtroom, so it did make you feel like you had committed a crime, in a way. You had to confess: yes, these are all my debts. I'm showing you everything.

Heather's meaning-making process associated with the experience of foreclosure and bankruptcy had caused her to integrate the identity of a criminal and sinner. Clearly, her personal vulnerability was also heightened—feeling that she exposed all parts of herself in a public court. Heather no longer viewed herself as the responsible, mature adult who, for 13 years, managed to meet financial challenges and major home repairs to maintain a household. Through the foreclosure and bankruptcy process, Heather came to see herself as an irresponsible, “loser” sinner who had to confess her sins and financial crimes in front of family, friends and officers of the court.

Theme 2: Foreclosure represents a disconnection between a homebuyer and housing finance literacy.

Buying a home is most likely the largest purchase any of the participants will ever make. Unfortunately, most participants did not feel like they were connected to basic knowledge concerning the home buying process, refinancing, or general housing finance. Helen admitted she was disconnected from fully understanding financing the purchase of a house, “...a lot of paperwork to sign. A lot of it you don't even understand what you're signing, but you go ahead and sign it.” Helen was focused on the reason why she wanted the home more than fully considering whether she would be able to financially sustain the mortgage:

I don't think you do. I guess it's because you want it so bad, you think you can. I think in my mind, I knew all along that I didn't really think I could (afford it), but I went ahead and did it anyway.

Helen was driven by recapturing hours from her day. She had a long commute, was tired and wanted to buy a home that would give her some control over her daily schedule. Even though she had reservations about her ability to make her mortgage payment, her desire to be closer to work overrode any of those considerations:

I think it's always there in the back of your mind, you're wondering how you're gonna keep up with it....Down in your heart you're not sure you can actually make it, but you want it so bad that you're willing to try it. I think that's how a lot of people lose their home.

Helen led a difficult life. From her perspective, homeownership would lessen the burdens she intently felt. In pursuit of the freedom homeownership represented, Helen disconnected from the reality of the tight financial margin she and her family experienced.

Unlike Helen who did not recognize the narrow financial margin on which her family existed, Dorothy was aware of the limitations of her income. What Helen and Dorothy had in common was their dream of homeownership. Dorothy readily admits that she very much wanted to be a homeowner and how that desire probably caused her to disconnect from the financial reality of her ability to carry a mortgage on her income:

Being excited about bein' able to buy a home and the whole process, I think it clouds the judgment, and, even though [pause] you're looking at it and your—no one told me—when I started buying the home, the whole reason I went through Crossman was because they had went around and put fliers in the apartment complex where I was living, "If you're paying \$500.00 a month in rent, then you can be in a home payin' the same thing." It's like, "Well, hey."

Yet, Dorothy's mortgage payment was not \$500/month. Due to a 2-1 buy-down financing structure, which backloads the mortgage payment onto the end of the loan term in exchange for a lower monthly payment on the front-end of the loan term, Dorothy's first-year mortgage was \$600/month. Complicated by her lack of housing finance literacy,

what Dorothy did not understand, and was not clearly explained to her, was an increase in her monthly mortgage payment to \$1,000/month in the second year. This significantly higher payment reflected both the structure of the 2-1 buy-down and fully assessed tax and insurance. The combination of a 2-1 buy-down structure and fully assessed property taxes were reasons for the mortgage increase and, ethically, should have been explained to the borrower at the time of financing:

When I went to closing, I was told that I was in a 2-1 buy-down. The first year I was in my house my mortgage payment was \$600/month, which was manageable. The next year it jumped \$400/month.

Due to her limited knowledge of housing finance, Dorothy had to rely on the erroneous and incomplete information provided to her. She was disconnected from the knowledge that she would be unable to afford her home as soon as the second year of homeownership. Because Dorothy was not connected to basic housing finance literacy, she was exploited and set-up to fail from day one.

Part of Dorothy's financing package included down-payment assistance (DPA) from the Nehemiah program. The Nehemiah program was used extensively in the late 1990s and early 2000s to cover the traditional 20% down often required for a home mortgage. Due to issues of fidelity with the program, it was banned when the 2008 Housing and Economic Recovery Act (HERA) was passed. Dorothy was one of many people who did not experience the Nehemiah program as it was intended. Recipients of Nehemiah DPA funds were required to be connected to homeownership training:

There was a class I was supposed to take, but I don't ever remember taking that class. I think they bogused it to say that I did, but I never took it.

Since her experience with foreclosure, Dorothy has empowered herself. She connected with a local, not-for-profit intermediary, the Indianapolis Neighborhood Housing Partnership, and enrolled in home buying courses. Ten years and many financial and emotional hardships later, Dorothy is resilient, knowledge-filled about housing finance, and ready for another homeownership experience. With the experience of foreclosure behind her, she has some critical knowledge she wants to share with other people who might find themselves where she was almost 15 years ago:

What I would suggest for anyone, especially for a first-time homebuyer, is to gain the knowledge. Don't go into it blindly. Don't go into it believing that anyone is going to look out for your best interests...Because the bottom line is every—everything is about money. Everybody involved is out to make money. Yeah. They're gonna give you a surface protection. They're gonna look like they're lookin' out for your best interest, but you have to have some knowledge yourself to be able to question things that don't look right or feel right to you.

Dorothy's point underscores how homebuyers can be taken advantage of if they are disconnected from the knowledge of the home buying process and nuances of housing finance. Dorothy asserts that one of the most important ways foreclosure can be prevented is to connect people to home buying and home finance education so they are not put into a position in which they outsource their financial agency to unscrupulous lenders.

Like Dorothy, Jessica participated in a first-time homebuyer program but her home was financed through M/I Homes, which consists of both a real estate development and financing arm. One of the most striking aspects about Jessica's experience is that she purchased her home in 2011, which occurred five years following the 2006 housing crash and three years after the Great Recession began in 2008. Her situation provides one window through which we can see how lending institutions have—or have not—changed

since the global economic crisis. One thing that has not changed, at least in Jessica's case, is that the lender did not connect Jessica to any homebuyer education through its first-time homebuyer program: "I don't remember them handing me anything really saying—it was almost like they were just telling me what you needed to know to get in." The primary benefit of participating in M/I Homes first-time homebuyer program was receiving down-payment assistance (DPA). DPA is provided to cover the traditional 20% down-payment required when financing a mortgage loan. Jessica explains, "We only paid a couple hundred dollars. Assistance was like \$7,500. I think is what we got." With astute hindsight and the knowledge she gained through the unfortunate experience of foreclosure, Jessica now thinks her family should have waited to pursue homeownership. Jessica appears to have learned a lesson lending institutions have yet to grasp or, prioritize:

I think, too, that we should have—I think we should have waited to buy a house instead of rushing into it and having more money in the bank, instead of going in. The program is good, but at the same time—for the down-payment, it's like it's good to help people get into a house, but at the same time to help them get into the house, it doesn't help them keep it.

Jessica now realizes that she would have benefitted from being connected to the home buying and housing finance system more thoroughly. She realizes how easily individuals with limited knowledge can be taken advantage of:

I just think that I shouldn't have—that it wasn't a wise decision to move in in the first place. I feel like I shoulda been more financially stable, not that I wasn't bringing in the income, but I didn't have a big savings account. I didn't really understand what home ownership really was.

Then you get the—you go and a bunch of people don't know and then it's like somebody comes in and might—they're gonna take advantage of that. You don't really know. They're just trying to get—they don't necessarily have your best interests in mind, they're just trying to get you in the house so that they can make their money.

Sadly, Jessica understands that her lack of knowledge about home buying and housing finance made her vulnerable to lender exploitation. Jessica also recognized that her disconnection from her own housing finance knowledge which resulted in reliance on lenders, who she did not necessarily believe had her best interests in mind, continued throughout the foreclosure process:

When I was starting the paperwork, so I didn't really know anything about foreclosure. I didn't know anything about what programs were out there. I'm basically relying solely on what the mortgage company's telling me.

They were just so nit-picky with this application. I did it probably six times. It was like things there were correct the first time aren't the second time around. Then, I'll change the way I fill it out, and it's always wrong.

Unlike Helen, Dorothy and Jessica, Heather had remained in her home for several years before encountering foreclosure. The Horton family started with a modest mortgage, with modest terms for a modest home. The pivotal life moment for Heather's family occurred about seven years into homeownership when they consolidated their debt into a refinanced mortgage. As explained previously, the lender-hired appraiser produced a bogus appraisal about double the actual value of the home, which put Heather upside-down in the loan. Heather indicates that she did not fully understand the implications of the refinanced loan:

You would think, yes. I did. I saw all the paperwork. I signed all the paper. I thought we could make it, doing that. I was fully aware of how much that payment was going to be.

Heather notes the lender who refinanced the loan did not explain the long-term implications of consolidating her debt, which essentially means tying unsecured debt to secured debt:

No [laughter]. I think they were just looking at—I mean, of course, everything's in writing, but no, it was nothing verbally, "Now, you realize your payment's gonna increase." No, nothing like that.

Throughout her interview, Heather accepted a significant amount of responsibility for the financial situation she and her family experienced. With so much time spent in self-reflection, I asked Heather if she could go back to 1999, knowing what she knew now, what she would do:

We would not have bought a house. We know that now. We definitely weren't—I don't wanna say mature enough. We didn't know what we were getting into. We really didn't.

The disconnection of knowledge these homebuyers had with understanding the housing finance system appears to have created the conditions in which it was easy for them to be exploited by unscrupulous lenders and manipulated underwriting standards. Most participants seemed to be driven more by their emotional connection with the symbolic meaning, promise of homeownership and the American Dream than with the financial and economic ramifications of most likely the single largest purchase any of them would ever make.

Although the analysis here points to an underlying need for building consumer empowerment through connecting individuals with education and training on the home-buying process and housing finance, it should not undermine or minimize the dimension of exploitation that not only occurred among the participants here but also to millions of Americans during the housing crash and Great Recession. For example, even though most of the participants articulated a lack of familiarity with the home-buying process or particular nuances of housing finance, this was not the case for Linda. Linda successfully held two mortgages before her third home ended in foreclosure. Further, Linda is a

financially savvy individual who held a position as a director of a community development corporation at the time she was diagnosed with cancer. Linda is more than competent in the areas of real estate development and housing finance. Linda knew what immediately needed to be done when she realized she would not be able to continue working. Because of the weak housing market, she knew she would not be able to sell the house quickly enough on the market. So, Linda went to work and lined up a prospective buyer for a potential short sale. Yet, with all her housing finance savvy and competence, Linda did not have the power or incentive to compel the lender to negotiate. Linda thought, “If they can do that, again, to someone who knows the system, what are they doing to some of these people who have no idea?” Linda’s comments underscore how the exploitation of the other participants may have occurred. This aspect of the lender-borrower relationship should not be minimized and it serves as the basis for the next shared theme.

Theme 3: Foreclosure reflects a disconnection in the relationship between a lending institution and a borrower.

A mortgage represents a contractual relationship between lender and borrower. Until relatively recently, lenders were located in the same community as their borrowers. This local connection often resulted in a mortgage contract extending beyond financial considerations. A lender had a vested interest in ensuring community stability and borrower well-being. Beginning in the 1990s, it became a trend for larger financial institutions to purchase, consolidate and merge smaller, local banks. With each merger, the connection between lender and borrower grew more distant.

In discussing their experience with foreclosure and financial institutions, a clear theme of disconnection emerged. Any semblance of a mutually beneficial social exchange between lender and borrower is extremely limited in all the interactions participants described. This break-down in relationship appears to have been worsened by a geographical disconnection between borrower and lender. Participants felt challenged in simply connecting with their lender. This situation seemed to be exacerbated by the physical distance between borrower and lender. Further challenging the relationship between borrower and lender was the growing practice of “flipping loans.” Loan flipping describes the process when a lender sells a mortgage to another lender. Borrowers have no control in this decision. In fact, the standard practice is to inform a borrower after their mortgage loan has been sold. Disconnections in the lender-borrower relationship also resulted in ethical improprieties of underwriting standards, which benefitted the lender at significant expense to the borrower. All of these lender-borrower dynamics also created suspicion of the lender as trusted advisor. Lastly, there was a marked disconnection in how lender and borrower approached its respective sense of accountability to the other party in the social exchange of mortgage loan and mortgage payment.

The disconnections in the social exchange relationship between lender and borrower were articulated in the following sub-themes: a) geographical distance between lender and borrower; b) service disruption when lenders flips loans; c) ethical violations in lender underwriting standards; d) relationship break from lender as trusted advisor, and e) lack of accountability for shared responsibilities between lender and borrower.

Sub-theme 3a: Geographical distance between lender and borrower.

Most participants experienced frustration with the geographic disconnection with their mortgage servicer. In some ways, this frustration seemed more pronounced among the older participants who grew up in a time where one had a closer, community-based relationship with financial institutions. At one time, mortgages were not only formally executed through a written contract but also informally with a handshake. Of the older participants, Dorothy seemed most resigned to accepting the fact that her mortgage servicer was located out-of-state. She simply noted the mortgage servicer was not local, “It was out of state.” Perhaps the resignation Dorothy felt about geographically distant servicers stemmed from the knowledge that she was no better served by the locally-owned Irwin Mortgage, who she felt set her up for failed homeownership.

After several attempts to connect with her mortgage servicer, J.P. Morgan Chase, Linda grew ever more exasperated. Although J.P. Morgan Chase is essentially ubiquitous, mortgage services may be handled at off-site locations. Since no one would return her calls, Linda attempted to connect through a store-front branch:

I couldn't even get to a mortgage lender person. I was trying—I went through the branch manager of the local branch, and said, “I can't get anyone to talk to me.” He says, “Call this number.” I did, and they would not talk with me.

The geographic disconnection appears to have allowed lenders to ignore or minimize the concerns of borrowers.

In Jessica's case, the geographic disconnection between her and her mortgage servicer proved to be extremely costly. Similar to Linda, Jessica had a relationship with a lender that had store-front branches for deposit and basic bank services but the servicing of her mortgage was handled from some remote, disconnected location. At the time of her

impending foreclosure, Jessica's mortgage was being serviced by US Bank. Although she had consistent contact with one mortgage service representative, which was unusual until a few years following the Great Recession, she received inconsistent guidance in filling out forms requesting mortgage assistance:

They were just so nit-picky with this application. I did it probably six times. It was like things that were correct the first time aren't the second time around. Then, I'll change the way I fill it out, and it's always something wrong.

In addition to the lost time of this frustrating process, it was also draining limited financial resources from Jessica's family. Jessica was not able to drop-off forms at a store-front branch. Each time she submitted the packet of forms, she had to fax them to an off-site servicing location:

...after about filling it out like six times, I already don't have any money and I have to fax—they want me to fax this stuff.

Every time, and it's ten pages. I go to FedEx to fax it. It's \$1.50 a page. I already don't have any income coming in and you want me to fax these papers [laughs] over, and over, and over, again. I gotta put food on the table first.

Yeah, and so I kept missing the deadlines because I didn't have any money to fax it. Then, I would have to restart all over again. I did it about six times.

Helen's mortgage loan originated with an Indiana-based branch and was then sold to a mortgage servicer based out of Florida. Although Helen was frustrated about the geographic disconnection like other participants, in her case, the spatial difference appeared to completely undermine her sense of self-efficacy. She seem overwhelmed, or maybe, uncomfortable in even reaching out to an out-of-state servicer for help. She was also convinced the physical distance implied the person on the other end of the phone would have no concern to help. From her perspective, she felt that because the loan was

now being serviced in Florida, no one cared. It is unclear if Helen ever spoke to someone from Everhome Mortgage, the company servicing her loan from Florida.

Helen's plan of primary intervention was set to occur at the sheriff's sale:

When it went to the sheriff's sale, I did go to the sale, hoping that they would have it where you could try to purchase it. The loan originally started here in Vincennes, then it moved—they sold it to Florida. When I got ready for the foreclosure part of it, you have nobody to talk to, and if you—it would've been a local bank, you could've went and talked to them about your circumstances, and whatever, and they would've worked with you. This is somebody down there that probably doesn't really care one way or the other.

I'm not sure if I actually talked to them, or if I did everything through correspondence type thing.

Helen thought she might be able to purchase her home at the sheriff's sale. The sheriff's sale represents the last point of intervention to save a home—it seems more likely a successful resolution would have occurred much earlier in the process than at a sheriff's auction, where the point is to extract the highest possible bid from the public. Not having a local person for Helen to personally connect with and speak to presented a significant geographical barrier. She needed that local contact to feel comfortable speaking with someone about her financial situation:

I mean there's nobody to really help you. Like I said, if they would've been local where you could've went and talked to somebody, but when you're trying to deal with people that's thousands of miles away.

Sub-theme 3b: Service disruption through loan flipping.

Related to the issues of geographic distance is the sub-theme of service disconnection perpetuated by lenders through loan flipping. Loan flipping is a term to describe the lending practice of originating or holding a borrower's loan for a period of time then selling it off, typically bundled with other mortgage loans as an investment

instrument. Once the mortgage is bundled and sold with other loans, another financial institution begins acting as the mortgage servicer. Essentially, this practice removes the foundational social exchange between lender and borrower. The originating lender quickly sells the loan, pockets the profit, and distances themselves from the accountability aspects of the mortgage contract.

All of the participants experienced the relatively recent practice of loan flipping, except Linda. Linda's loan was originated by J.P. Morgan Chase, who also held the loan at the time of her foreclosure. A local branch of Regents Bank originated Helen's loan. When she went through foreclosure, Helen's loan was being serviced by Everhome Mortgage in Florida. Dorothy's loan was originated by Irwin Mortgage. At the time of her foreclosure, it was being serviced by J.P. Morgan Chase. Heather's refinanced mortgage was processed by a local mortgage company. She does not recall who held their mortgage at the time of the foreclosure. Heather explains that the loan was flipped several times so she was challenged to keep track. After the bankruptcy, it was flipped two additional times:

It was moved quite a few times, the mortgage was...several times, yes. Sometimes we would just get a letter, just stating our company's been bought by this other company. It'll take effect. Nothing will change, basically affect six months from now, three months from now, whatever it was.

Jessica's original home loan was financed through the financial arm of M/I homes. Two years later, when her home went into foreclosure, the mortgage was being serviced by US Bank.

Similar to the geographic disconnection, Helen seemed to be the participant who had the strongest reaction to the service disconnection caused when a lender flipped a borrower's loan:

The loan originally started here in Indiana, then it moved—they sold it to Florida.

This is somebody down there that probably doesn't really care one way or the other.

Then, too, with selling mortgages off, I just think it needs to be with the people that you dealt with. I think it needs to stay there. Of course, they've gotta keep going, they've gotta do what they're doing, and keep their doors open too, but it's really hard on people. Cause you don't know that it's even gonna happen until you get the letter in the mail that it's already done.

Helen thinks homeowners should be informed prior to the selling of their mortgage.

Helen discusses this issue from the perspective of a consumer protection issue—a right to know before the mortgage, which represents a contractual obligation between lender and borrower, is flipped:

It doesn't seem right to me. Because you've entrusted yourself to them to start this process, and then it's like they sell you down the river to the highest bidder kind of thing.

The flipping of a mortgage loan is a breach in the social exchange relationship between lender and borrower. Helen's metaphor of "selling you down the river to the highest bidder" is an incredibly accurate representation of the breach in the lender-borrower relationship during this period of time. The practice of high-stakes trading and investment bundling during this time has been considered a sophisticated form of Wall Street gambling. To the borrower, the mortgage loan continued to represent a service relationship with the lender. To the lender, the mortgage loan was now an investment instrument, bundled and packaged with other loans, to extract the highest return.

Sub-theme 3c: Ethical violations in lender underwriting standards.

Another disconnection in the social exchange relationship between lender and borrower occurred during the loan underwriting process. As many people experienced in the lead-up to the 2006 housing crash, lenders working with most of the participants ignored or manipulated underwriting guidelines to approve loans. Lax or fraudulent underwriting practices appear related to the practice of loan flipping. Since financial institutions held mortgages for a short period of time until they could bundle and sell them to investors, lenders no longer had an obligation, personal or financial, to ensure ethical underwriting standards were being maintained. This practice represents another significant disconnection in contractual and ethical obligations between lender and borrower.

In Helen case, it appears lax, rather than manipulated, underwriting standards were used:

They know you're only making so much money, I mean they are wise enough to know about what approximately utilities and stuff is gonna run. They've got to see that you're not gonna be able to do that. You've got to always add the unforeseen in there, some kind of medical emergency coming up, or having to buy another car, or whatever. Which, I've had all those things. The vehicle things, and just about time you think you're doing okay, something happens to the car.

Helen's experience underscores the need for underwriting standards to be revisited. The public expects banks to be honest with the people they are trying to finance and to tell them when they cannot afford a home. Helen explains that the banks know what people are making and understand how thin the margin is:

I think that the guidelines need to be different. If you're honest with the people you're trying to finance through, and you tell them—and they know exactly what you're making, cause they check all that stuff out. They've got to see that you can't live that way. That you're biting off

more than you can chew. I think they need to turn you down, instead of letting you get in such a financial shape that you've got all that over you, all that expense over you to try to deal with, when they knew from the beginning that you couldn't do that.

Helen thinks the banks need to take their gatekeeping role seriously and turn people down instead of setting them up for financial failure. She believes they know from the beginning when people will not be able to sustain a mortgage.

Dorothy shares Helen's perspective that lenders should act appropriately as gatekeepers to safeguard consumers from accepting a mortgage they cannot sustain; however, unlike Helen, she does hold financial institutions accountable for their unwillingness to adhere to traditional underwriting standards. Notably, Dorothy's loan appears to contain significant predatory features:

Unfortunately, the downside of it was—and I knew goin' into it, but I thought I would be able to handle it. I was involved in a new construction, so I was getting a new home. Pretty much the whole way the thing was handled was backward, underhanded. I was put into a home that I was really not qualified for. The frustrating part about it was that they told me initially that I was not qualified. Then when I pressed for, "Well, if I'm not qualified for it, give me my money back." Then all of a sudden everything was a go.

After Dorothy had her "fortunate" car accident, she was able to send documentation to the bank demonstrating she no longer had a car payment. At this time, it seems Dorothy also begins questioning the process and her ability to qualify for a loan. Yet, at the moment Dorothy seems to accept she will not be approved for a loan, the bank qualified her and set up a closing date.

Dorothy later requested a loan modification when she was struggling to make the payment. At this time, the lender denied her request. The rationale for the decision was that Dorothy did not make enough money to maintain the house. Dorothy was at least

earning the same amount, even slightly more, when the lender approved her for the loan she was now struggling with. Somewhere in this process, there seemingly had to be a departure from ethical underwriting standards:

When I got into trouble financially and couldn't make the payments, then I applied for modification, which I was denied because they said I didn't make enough money to keep the house. I didn't make enough money to maintain the house. My question to them was, "If I don't make enough money now, and I'm making more money now than I did when I bought the house, how did I qualify for the mortgage?"

Dorothy believes unethical underwriting standards and other nefarious lending behavior led to her foreclosure. She charges that someone, somewhere, manipulated figures to get her loan through underwriting. In fact, Dorothy was told one of the ways the lender manipulated her income was to include her retirement. The lender included Dorothy's retirement savings as if she had access to that money at the time she was approved for the loan. Someone in the financial institution erroneously and unethically counted her retirement savings as income:

Underwriting standards or the whole process just was not right. It was not done above board. Had they followed through procedures or the standards, then it never would have happened. Someone somewhere was able to manipulate the figures to get it through underwriting.

Part of what I was told was that they used my retirement as income. That's pretty much what HUD told me. It's not income. It's not income. Even though I have this—and what they were lookin' at was my annuity savings. Even though I had this amount of money over here, I can't touch it until—when I either retire or I leave the company. Then I can pull it out, but it's not anything I have access to now. They knew this. They knew this.

Like Dorothy, Heather was put in a precarious financial situation with her home due to unethical underwriting procedures. As previously discussed, when the Hortons decided to refinance their mortgage to consolidate unsecured debt, the lender hired an

appraiser to determine the value of the home. Adhering to standard banking practices, the amount of the refinanced loan would be determined on the home value. Heather confirmed that she considered the appraisal to be double the true value of the home. The mortgage company processed a loan for the family based on this inflated number. Heather identifies this pivotal event as the start of their struggles to maintain the mortgage and other housing-related expenses.

Hindsight being 20/20, Jessica would have told herself not to buy the house, and to get something more affordable. She remembers considering two different housing configurations--a two-story and a ranch. Both homes were constructed to include three bedrooms. Jessica remembers how she felt rushed in the purchase process:

I would have told myself not to buy that house, or to get something that is cheaper so that the mortgage would be less cause we had looked at two different style houses. This one's a two story and then there was one that was a ranch. They were both three bedroom. I felt like it was just very rushed.

The process was just very rushed. Had we got the ranch, our mortgage would be \$150 cheaper and I wouldn't have to go upstairs.

Jessica feels she was taken advantage of by her lender. When looking at her income-to-debt ratio, Jessica now feels it is obvious she could not sustain the mortgage. She was unethically advised by the lender to enroll for a class, which would trigger a deferment on her student loans and allow her to artificially and temporarily meet underwriting standards. When Jessica acted on this advice, her loan was approved:

I feel like when you look at my credit cause whenever I was—because of my student loans, my income-to-debt ratio was high. The only way I could get that house was to sign up for a class to put my student loans in deferral. That's what the advice of—that I got to do that so that way, my loan was approved.

To sign up for a class so that it would put my student loans in deferment so that it would not be counted against my income-to debt-ratio because my student loan debt was so high. Looking back thinking they—I feel like they told me to do that so that they could just get the sale done. I had good credit. I had a high income (to-debt-ratio) because of my student loans.

Although Jessica thinks the lenders do not technically have to take any responsibility for her situation, she does think they take advantage of people who are naïve to the home-buying process. She thinks they could have been raising concerns about her situation but, instead, they were thinking of how to maximize their position. The focus on maximizing financial gain resulted in manipulating standard underwriting. I noted to Jessica that she appeared to take responsibility for her mortgage situation and I asked her if she thought the lender shared any accountability in the underwriting process:

Technically none, being an adult making my own decisions. At the same time, I feel like they were taking advantage of someone who was naïve to the process. I feel like they could have been red flagging, and no this is probably not a—looking at the best interest for the person and not necessarily their business. Technically, that's not their job.

Sub-theme 3d: Relationship break from lender as trusted advisor.

Until relatively recently, financial institutions enjoyed a favorable status as a trusted advisor for borrowers. A mutually beneficial relationship existed in which a social exchange of a mortgage loan and mortgage payments enhanced both the lender and borrower. Once mortgages began being used primarily as investment instruments and lenders were no longer located in the same community as borrowers, features of the trusted advisor relationship disappeared. Linda sums up her thoughts concerning the relationship disconnection she experienced with her lender, “The bank was the bank. There was no human side to it.” Linda is the only participant whose loan was not flipped—her loan originated with J.P. Morgan Chase and was still held by them at the

time or her foreclosure. In fact, Linda's other two prior mortgages were also held by Chase. Despite her long-term and once positive relationship with the bank, they were unresponsive to her. Linda now holds a very negative perception of her bank. When dealing with her terminal diagnosis, she had consistently encountered a lack of empathy, connection, and understanding of her situation. Linda was attempting to navigate health challenges while still trying to work out a solution with the bank:

It made me angry because I realized I had just gone through seven straight weeks of radiation—five days a week for seven weeks, couple of it was chemo. It was at least two to three days a week plus I had some internal radiation therapy. I wasn't like I am today or like you are today where you can say, "Oh, let's get in the car and just"...I mean, I was having to schedule all of this stuff around health issues. At the same time trying to deal with these—I can even remember using the term, assholes. Just the simple fact that I could not get a company to have anyone who had people working for them, employees, to respond to simple requests. Simple requests.

I wasn't asking them for a complicated, "Oh, please consider this extraordinary circumstance." I was bringing them a solution. They didn't even know it. I mean, they didn't recognize it. If they did, they didn't care.

Through their lack of response and inaction, Linda's relationship with her financial institution was fractured. There was nothing in their behavior to demonstrate that they understood or cared about her situation. Further, they appeared either unaware or disinterested in the deal she had attempted to work-out with them to prevent a foreclosure.

Yet, the bank began contacting Linda after her home went into foreclosure and she had discharged her debt through bankruptcy. This late response was what frustrated Linda the most. After attempting to work-out a solution for many months prior to her foreclosure, and now that her home was in foreclosure, the bank began contacting her. It

does appear this late response may have been prompted by government programs being implemented after the Great Recession:

I think the thing that frustrated me most was the fact that once they—I determined that the bank was not gonna be working with me and that I was going to have to take a bankruptcy, put the house in foreclosure. They didn't respond until about three months later, after I had filed for bankruptcy. I started—that's when the program started kicking in that they were supposed to work with people—so I get all these form letters. We'd like to work with you. Well, I was already in the bankruptcy proceedings.

It was too late. Even after the bankruptcy had cleared in—I think this March 2009, I was getting letters that the bank is indicating that you are not showing insurance coverage on this home. You are required to do that. I'm thinking, "Folks, I turned those keys over to you in December. I gave you all this information. This property is yours. Don't tell me I've got to do insurance coverage on this house. The bankruptcy is over.

At every step of the process, the lender's response was inadequate and late. For several months, the institution's representatives ignored Linda's compromised health status and attempts to find a mutually agreeable alternative to foreclosure. They acted in ways that increased her stress-levels and possibly worsened her health status. They responded after the home was in foreclosure and the asset had been discharged back to their possession. Still then, when Linda reached out to them to explore what options they were presenting, she learned there was no substance to the form letters.

Linda had some thoughts about what I might find through this study:

I am just real eager to see how many like scenarios you get in talking with different individuals. How comparable are these experiences, and I think what we'll probably find is there's one common denominator, because of policy, (the financial institution) doesn't care about the individual, and until policy changes the institution—by policy, I mean some regulations.

Bottom-line, Linda now holds the perception that, due to the current regulatory environment, financial institutions no longer care about the individuals with whom they do business. The idea that a lender is a trusted advisor is now a relic of the past for Linda.

Like Linda, Dorothy no longer has any trust in lenders or financial institutions. Dorothy says she was very vocal about her situation with the foreclosure and trying to find a workable solution. She talked to anyone who would listen. She also noted it was not just she who found herself taken advantage of by unscrupulous lenders. There were a group of disaffected homeowners who came together from three Crossman communities who were going through the same situation. Home loans were approved and, within a matter of months, people were no longer able to sustain their payments. At the time Dorothy went through her foreclosure, at least 33% of homeowners in her community were experiencing the same fate:

It wasn't just me. It was a group of us because there were three different communities that Crossman had built where it was the same thing. They got the people in there and within a matter of months or years, people were losin' their homes. During the time that I was goin' through my foreclosure, I drove through my community and there were 33 (out of 100) homes.

The homeowners in Dorothy's community were reaching out to their lenders hoping to secure some type of loan modification so that they could remain in the home they were just approved to build only a few months earlier:

That was just it. I kept askin' him to just lower the payment. Do a modification where you put the back payments on the end or somethin' cause by then, it would have gone—the payments would have gone down enough where I could manage it, but they just out and out refused.

There was no willingness on the part of the lender to work with Dorothy. Dorothy felt dismissed by the lender at this point. She did not receive an adequate response explaining why she originally qualified for the loan but was not being considered for a modification. Even with demonstrating access to more household income than she had when approved

for the original loan, the mortgage servicer refused to re-negotiate the loan terms so that Dorothy could remain in her home and prevent the foreclosure.

Unlike Linda and Dorothy, Jessica had early and frequent contact with one lender representative. This person was specifically assigned to assist borrowers in filing requests for loan modifications. Yet, even with the assigned point-person and consistent contact, Jessica was still unable to navigate a loan modification with her lender. Actually, it appears Jessica's efforts were at best, frustratingly impeded, and, at worst, maliciously stalled:

It was just frustrating because it'd be like I would fill out, say, the budget form, fill it out one way, filling it out, like they want what it is that particular month. Then when they're dragging it out for six weeks, now it's outdated. Now I have to resend that. I would fill it out and then it's like, "Oh, you're not supposed to put—" I can't even remember. "You're not supposed to put that number. You're supposed to put—" I think I put something in the wrong spot, or I split up the mortgage with the taxes and everything. I put the mortgage—because mine had escrow. Some of that stuff I didn't really know necessarily. I think one time I split it up and that was wrong, so then I combine it, and then that was wrong. It's like things like that was like, "Now first it was right, now it's wrong, now which one is it so I—cause I'm trying to fill it out exactly the way you're telling me to fill it out."

I asked Jessica if anyone from her lending institution ever offered to sit down with her and walk her through the correct way to fill out the forms—or if they even offered to schedule a phone conference to assist her with the forms. Jessica shared that the lender never offered to do either. Although assigned a dedicated contact person, the mortgage representative did not behave in any manner or take any meaningful action that resulted in reflecting the role of a trusted advisor.

Bottom-line, in contrast to the rushed process Jessica experienced at the time of home purchase, after almost eight months of attempting to seek a loan modification,

Jessica's forms were never processed. She never reached the point of even learning what type of modification she might qualify for:

That was like I never really got the information on—cuz I guess they had several programs to offer. Once they got all your information in the system, they could look and see what they could offer. It could be anything from lowering the interest rate, lowering the payment, postponing the payment, even things like adding those payments to the end of the mortgage. It could be any—but they had to get all the information in the system and then after you're approved, then they can tell you what they can offer. They never told me what I (qualified for)...

In all participant accounts, the service relationship and trusted advisor role of financial institutions was fundamentally non-existent.

Sub-theme 3e: Lack of accountability for shared responsibilities.

In a social exchange, each party benefits and holds responsibility in the relationship. The goal of an effective social exchange is a mutually beneficial relationship; however, there can be unevenness in the level of benefits and responsibilities. Yet, in the lender-borrower relationship described by the participants, there is evidence of a heightened sense of responsibility among the borrowers and a minimal level of accountability on the part of the lender.

Helen did not understand why the lender who approved her for a mortgage would not put in any effort to help her remain in her home. She identified some ways that she may be able to stay in the home, continue to pay the mortgage, and prevent her home from going into foreclosure. It seems difficult for her to understand why the lender did not work harder to maintain the lending relationship:

You had a person there that you dealt with, and they helped you get the loan to begin with. You would think that then they would be still concerned about you being able to keep that loan, and keep the payments coming. Whether that be maybe trying to refinance and get it at a lower rate. Although the rate I had it was, probably, at that period of time, just

probably as low as maybe it would've gone. Maybe they could've done something to help work with you to try to keep it going.

For the first time, Helen brings up accountability and gatekeeping functions of financial institutions. Her demeanor and tone shift and, as much as seems possible for her, she seems angry. She feels that banks should, frankly, know better and prevent people from failing at homeownership when they know people do not meet standard underwriting criteria. She speaks of homes sitting empty and the disconnection from people who need shelter in this country:

Like I say, I think I lay a lot of blame on the financial institution that let you get yourself into such a shape. Where it's really kinda setting you up for failure. Like I said, I just saw so many places, especially places that had modular homes on them, with the grass grown up in the yard, and stuff, and they're empty. They're not that old, but you know it's been sitting empty for a while. That home is wasted, when somebody could use a home.

As is common in my discussion with Helen, she sometimes appears to contradict or back-off earlier statements. At first, she clearly identified that banks should take blame for foreclosures, she now takes a couple of steps back and claims she is not trying to blame them:

I guess I'm trying to lay—I'm not laying blame on them, cause they didn't force me to sign that paper. You want it. It's what you want, or what you think you want at the time, but I think there should be some accountability there someplace.

Yet, underscoring Helen's point is the acknowledgement that a shared accountability should exist between homebuyer, lender and/or mortgage servicer.

Again, as opposed to Helen, Dorothy pulls no punches when discussing how she feels lenders failed in their shared responsibility. In the predatory arrangement initiated by her originating lender, Dorothy's payments increased

significantly from the first year of homeownership to the second. She was not informed or prepared to deal with the increased payment and knew immediately that she was in financial trouble. It took Dorothy one and a half paychecks each month to cover her increased mortgage. Dorothy worked very hard to maintain her mortgage and to also reach a mutual agreement with her lender to prevent foreclosure. Although Dorothy was ultimately not successful in saving her home and holding her lender accountable, she does see some ways in which lenders are beginning to share responsibility for the foreclosure crisis:

Well, what they eventually did do. The people that were writing these bogus loans and inflated loans and whatever, they called them on the carpet and made them responsible like Wells Fargo who just had to settle. This was 2008. Four years after. *[Pause]* I think once it became such a widespread problem and people began to talk about it. Because usually when you go through a foreclosure or somethin' like that, it's not somethin' you want everybody to know about. Well, I wanted everybody to know. I did TV interviews. I did newspaper interviews. I did whatever I could to say, "Hey, this is goin' on. This is not right." I was also instrumental in getting the predatory lending law enacted here.

Dorothy remains committed to empowering home buyers and holding lenders responsible.

Like the other participants, Heather demonstrated a heightened sense of responsibility in trying to make ends meet and maintain her mortgage. The Horton's demonstrated significant perseverance in trying to save their home:

Because we kept on thinking, "Okay, we're gonna get through this. We're gonna pay these bills. Whatever we have to do." We're listening to finance, Dave Ramsey. Whatever his advice is, we're trying to follow that. It's not working. There's too much month left, and not enough money. We just kept on wanting to keep that house. We have to keep the house. We have to keep the house. Things kept breaking still.

They were able to stave off the foreclosure a few years after the refinance tightened their budget and put them in an upside-down mortgage. Yet, eventually, the cost of home repairs and the inability to sell the home for an amount under the mortgage pay-off was too much for them to do.

Similar to other participants, their lender began contacting them with alternatives to foreclosure after the family had left the home and started the bankruptcy process:

Whoever had the loan at the very last—cause it was done a few times—they kept sending us stuff, even after the bankruptcy, even after we had filed. Not harassing stuff, but letting us know, “Hey, we understand your situation. We’re willing to work with you.” It was a little bit appealing at first, but we’re like, “We’re in this apartment now. We’ve signed a year lease.” There was nothing that we could do.

Then, that company got bought out just recently. We got something from them, saying, “Hey, we have your mortgage now.” It was almost like—it’s like a lack of communication. I don’t know. We did contact our lawyer. He said, “Just ignore ‘em. I will contact them.” We scanned them and sent an email with what we had. He said just to ignore it and he would take care of it.

Communication and accountability on the part of the lending institutions always seemed to appear late and be inadequate. In some ways, it was just another bank-related frustration that the families had to deal with.

The Horton’s present an interesting case in accountability of lessons learned and insight gained from the foreclosure and bankruptcy process that seemed to elude the financial sector. The amount of personal responsibility accepted by the family as juxtaposed against the lack of shared accountability on the part of the financial institution is notable. Heather responded with deep sincerity and earnestness when asked how her life would be different without the foreclosure:

I think we would still be in debt. I think we would still be fumbling with our money. I know we would not be debt-free at all. I don’t know—I

don't think we would even be close. I still think it would be the same wheel, just trying to make ends meet, and getting nowhere, really. I do believe that we've learned so much. We know, now, what we did wrong. Not doing the refinancing. That was silly.

Without banks being held equally accountable or responsible, at least through Jessica's experience, we see that they continue to engage in the same practices that resulted in a global economic meltdown. After spending roughly eight months and submitting the required 10-page packet for mortgage relief six times, the emotional and financial desperation due to her lender's lack of response and shared responsibility was beginning to take its toll. Jessica felt like crying when she received the foreclosure filing notice from her lender. She was still hoping to find a solution but felt like no one was willing to work with her. Jessica projects desperation as she reflects on this experience. At that time, she was still pleading, wanting someone to hear that she was trying, that she tried to be proactive:

I felt like crying. *[Laughs]* I felt sad, and I just felt—I almost felt—and I was still with the whole situation trying to work it out and felt like nobody was wanting to work with me. I was trying. I knew I had to try, so it's not like I was waiting till I was six months behind. I already knew. *[Laughs]*

Theme 4: Foreclosure represents a disconnection between a homebuyer and the benefits of homeownership.

Without question, the dominant paradigm about homeownership is positive in the United States. Both symbolically and materially, homeownership is associated with beneficial characteristics such as being part of the American Dream, wealth and asset accumulation, freedom, ownership, stability and connection. It is these attributes that often drive the desire for homeownership. Yet, if these are the benefits of homeownership then, by logical extension, foreclosure is the disconnection from these characteristics.

Certainly, participants described both emotional and material loss. Further, in some ways, it appears the participants never truly had a grasp on the perceived benefits of homeownership in the first place. In this section, sub-themes of disconnection of shelter, gathering place, freedom, and ownership and asset creation are articulated as they were experienced by participants.

Sub-theme 4a: Disconnection from shelter.

In its most fundamental sense and purpose, homeownership provides shelter. When the participants were facing foreclosure, their concerns turned to where they would live, in what conditions would they live, and would their damaged credit impact their ability to secure alternative shelter. In addition, the concepts of security and stability were closely connected to the idea of shelter. For example, when Linda was asked how homeownership is different from foreclosure, her response was immediate and clear:

Oh, when you have a home in foreclosure, you have no sense of security...always before when I rented, I had a full-time job and the confidence that if I wanted to buy a home I could. When you're in foreclosure, you're not sure where you're gonna live because all of a sudden, if you're in foreclosure, you probably got a bankruptcy. Will you even be able to rent a place? If so, what kind of place? It totally changes your perspective on how secure you are and how in control of your own life you are.

Helen also spoke of her concern about securing shelter after the foreclosure. She had always envisioned what her retirement would look like and the stability of housing was central to this image:

I think what is in your mind from the beginning is I'm gonna have a place when I get older. I retire, I'm gonna have a place that's paid for, and I'm not gonna have to worry about that in my old age. A place where the kids can come back with grandkids and that kind of thing. It changes.

Foreclosure disconnected Helen not only from the future she had planned for herself but also for her children and grandchildren. Considering Helen had been isolated from her family most of her married life, the loss of this particular future was certainly deeply felt by Helen.

Helen also had experienced prior challenges in securing affordable shelter before she purchased the home that went into foreclosure. It was very difficult for her to find housing that was safe, affordable and of quality. These concerns were likely fresh in Helen's mind as she, once again, found she was searching for shelter:

You don't know what—you're trying to find a place that you can afford. You don't know where to go. Like I told you earlier with this community, there's no place over here that—I don't know, the place I got right now, my rent is \$375.00 a month. Which is reasonable, but she's a lady that goes to the church where I go. That's probably the reason the rent is what it is. Otherwise, we looked at a lot of other places. I looked at a lot of other places and you're talking at least \$500.00, usually, a month.

The uncertainty and instability are apparent in Helen's consideration. Right now, she is relying on the kindness of one of her fellow church members, who is providing a rental for \$375/month. The thought of having to pay \$500/month for rent raises a lot of concerns for Helen. She perceives this amount to be unaffordable to her.

Despite the seeming stability with her current shelter, Helen admits the idea of homelessness is not a far-fetched thought:

Well, it's (homelessness) a definite possibility, even today. What if the place where I'm renting, they decide that they're gonna do something else with that property, or whatever? You don't have—you look in the paper, because I've been looking for your kids. You see all this—the cost that's there. You just, like I said, with the retirement age coming up, I think that's a lot of it. Because it's just a big expense.

At age 65, Helen is still facing significant uncertainty and instability not only with maintaining her shelter but also employment and income.

Dorothy also experienced significant concerns about shelter, security, and stability following her foreclosure. Between her financial and emotional stress, Dorothy eventually reached out to one of her daughters for help:

I moved into an apartment and I stayed there about six months. I just, I couldn't pull it together because I had filed for Chapter 13. They were takin' about \$400.00 a month from me to pay off the other bills and everything, which left me even less to try and live off of. I was strugglin'. I was just falling apart. At that point, I knew I was falling apart. I went to my oldest daughter and I asked to move in with her. I moved in with her and stayed with her for a year and a half. Then I moved into her—I moved into the apartment that I'm in now. I've been there for almost eight years now.

Like Helen and Dorothy, Jessica held intense feelings about shelter, stability, and security. The Jones moved out in November 2012, when the mortgage servicer sent a foreclosure filing notice. Jessica admits she could have stayed longer but was concerned about her credit impacting her ability to secure rental housing. She was advised by an attorney to consider moving sooner rather than later. Having three children to consider, Jessica took the advice seriously. As much as she could, she took control over the situation and moved on her terms rather than waiting to be locked out of her own home:

We ended up moving out in November because they sent me a foreclosure notice that they were filing. I know I could've stayed longer, but I had spoke with a lawyer and she just kind of advised me, "Right now, it hasn't hit your credit. The foreclosure itself hasn't hit your credit. You need to be out before that hits, or you're gonna have a hard time finding somewhere to live." Me having three kids, I'm thinking I just wanna—I don't wanna have that stress. I don't wanna come home and find my house locked when all my kids stuff is inside. I'd just rather just go now. We moved out in November into where we're at now. We moved back into an apartment.

Jessica felt the advice she was receiving from her attorney was helpful. She was experiencing significant uncertainty in the face of unknown shelter:

Yeah. I mean, it helped with my ease of mind, too, because just that uncertainty is—that's one of the hardest things I think to deal with was the uncertainty of not knowing when it was gonna happen or when I'd have to get out and how long I'd have. Just with three kids, it's like I don't wanna end up in a rough apartment just because I had to take whatever I could get as fast as I could get it.

Jessica's foreclosure unearthed a history of housing insecurity from her youth when she was forced to consider where she would move her children due to the impending foreclosure. She experienced instability and uncertainty related to shelter when she was growing up:

My concerns were one of the main reasons why we got the house in the first place was just to have that stability, too, for the kids so they're not moving around all over. Both my husband and I, when we were kids, we moved around a lot. *[Laughs]* Both of our families were all over the place. It was just like, having that consistency for them as well as being in a safe neighborhood cuz we both lived in apartments. Excuse me. Some are good, some are pretty rough. It was just trying to think about them and what's gonna be good for them cause we—we don't like our apartment we're in now, we don't wanna stay. It's not a bad neighborhood. I haven't had any problems there, but it's a very old building. Ever since we moved in, my baby's been sick.

Yeah, the building's so old, so it's like, is there mold in the walls that I don't know about or something? It seems like someone's always sick and we...I don't get sick very often, and he's been sick pretty much the whole time we've been living there.

At the root of Jessica's concerns about shelter are her children:

If it was just me by myself, I probably wouldn't care so much. It's the fact that I have kids to think about. I don't want them to not have the things that they need. I don't want to have to—I don't want them to be moving from—having to live with family members or anything like that because I can't pay the rent. Just things like that.

Jessica worries about her children not having the things they need, having to move from place to place, and having to live with family members. She is concerned about getting

behind again and having a second bankruptcy. Worries about obtaining shelter, stability and certainty linger for Jessica.

Sub-theme 4b: Disconnection from gathering place.

Most participants identified their home as more than just a physical structure but also a significant gathering place to celebrate holidays, birthdays, and other important life events. Linda and Heather appeared to enjoy this benefit of homeownership the most—equally, both felt a deep, emotional loss when they were disconnected from their gathering place due to foreclosure.

Part of the reason Heather had such a difficult time walking away was due to the emotional connections and memories she associated with the house. In particular, she connected these significant life memories to the gathering place her home provided for family and friends, during both happy and challenging times:

I would think about Christmases, and the birthday parties that we had, and friends coming over and laughing, all the stupid silly things we did, and family being over there, family and friends who've passed away. Thinking of things that we did there. All those memories would just come back. I know those memories are still—they're all in my mind. They're not in that house. When I would think of the house, I would think of all those things. It would always come back to that.

Like Heather, Linda had a strong emotional connection to her house as a gathering place. This function even became an integral part of her personal identity:

Yeah. I was very fortunate, again, because of my circumstances. I can remember every Christmas Eve having 40, 50 people over for a dinner. Most of 'em were folks from other countries or didn't have family here, and we just had a huge amount of fun. Same thing in the summer. We'd have big picnics out in the side yard...and we just had—we called 'em Christmas parties, but they—and we had Hindu and Sikh and Muslim and everything. It was because I had this home that, number one, I liked, and it was big enough, and we could have a huge international family—and then we'd follow-up in the summer, and it was always, "We'll go to Linda's

place.” It (home) was a source of fun, of enjoyment. It wasn’t just a domicile for a place to live. It was part of the living. Yeah, I had also some people say, “Oh, anytime anyone wanted to get together, well, let’s do it at Linda’s,” because they all liked the house. It was conducive to large groups.

The joy Linda felt in hosting large celebrations with her diverse group of friends was apparent. Clearly, one of the benefits she received from homeownership was the ability to host these large and fun gatherings. “Linda’s place” “was part of the living.” Foreclosure disconnected Linda from the community she loved.

On another joyous occasion at “Linda’s place,” her nephew was married. It seemed very difficult for Linda to be physically disconnected from the house that held so many special memories not only for her but also dear family members and friends:

My nephew, when he got married, he says, “We’re just gonna have a small wedding. We’re only gonna have about 50 people. Can we have it at the house? His bride came down the big stairwell into the living room, and they stood in front of the fireplace and had their wedding. It was fun.

Lots of memories. Then, all of a sudden, within the course of a year, I am told—I’m probably gonna die. I no longer have a job because I can’t do it—and lose a home. The person I was no longer existed. It’s tough.

Linda communicates a deep sense of loss—all of sudden, one’s life changes, one is separated from the gathering place that holds so many special memories and from the people one holds dear.

Sub-theme 4c: Disconnection from freedom and ownership.

The participants discussed an initial connection and then disconnection related to the perceived freedoms of ownership that are associated with the American Dream of homeownership. Without exception, all of the women spoke of the creative freedom that accompanied ownership of one’s house. They viewed ownership as freedom through being able to paint the house as they wanted, remodel as they wanted, or experience

privacy. Yet, it appeared these elements of freedom and ownership were mostly perceptions and not grounded in reality. As participants began to explore their experience with homeownership and foreclosure, a pattern emerged in which most participants discussed being restricted by their financial challenges. Most of the participants experienced tight financial situations that left little margin to tend to cosmetic improvements or remodeling of the home.

Linda appeared to be the only homeowner who experienced enough financial stability and wealth to enjoy the creative freedom that may accompany homeownership. With great joy, she spoke of the aspects she enjoyed most about homeownership, “Oh, having the old homes in the city and being able to knock down walls and refurbish and see all of the wonderful craftsmanship. It gave you a sense of pride and dignity.” Although the other participants envisioned this version of homeownership, their deeper and persistent financial struggles prevented them from fully realizing these perceived benefits of owning one’s home. For example, Heather’s meaning-making experience of foreclosure probably demonstrated the most significant redefinition of homeownership as freedom and ownership to viewing it as “being stuck” and feeling like a prisoner:

To feeling like you’re a prisoner, almost. You’re no longer free because you don’t have the ability to sell it, because you can’t sell it in the condition it is in.

The reality of homeownership for Heather proved to be a significant departure from anything that resembled freedom or ownership. The imagery of prison denotes the complete opposite. Yet, in the beginning of her homeownership experience, Heather envisioned something much different:

Just the fact that I could have my own design, my own—I could be creative in the house, if I wanted to. I could paint it. I could change the

carpet, if I wanted. Hanging things on the wall, remodel it, if I wanted. I could make a kitchen into a bedroom, if I want—just having that freedom to do that, and to not have someone over you, saying no. I think it was freedom, to get to—and you thought, “I’m growing up. I have my own place now.”

Heather embraced the idea of homeownership as freedom. Owning something meant you could do whatever you wanted to without having approval from someone else. She had dreams of remodeling and other creative projects. Then, other aspects of homeownership appeared:

When things broke, we had to fix them. We quickly found out that we didn’t know a lot on how to fix things. I promise you, everything that needs fixed—needed fixed in our house was at least \$1,000.00.

Yeah, so we had to—you know, and you wanted to trust someone. You had to find somebody, make the call—because it was under—we had \$1,000.00 deductible on our home, our insurance, because the payment down. You’d have to try and find somebody that was cheap, but good.

The next day, you’d be spending—you know, so things like that. It was very stressful.

As notes previously, the idyllic vision of homeownership Heather had in the beginning was quickly replaced with multiple home repair projects and significant home maintenance costs. Even though it was very difficult for Heather to lose her home, it was also a source of stress and endless repairs. The notions of freedom and ownership went out the window—or maybe through the holes in the roof caused by the relentless storms. The home that once represented freedom and ownership had turned into a prison.

Heather and her family now live in an apartment. Once considered to be for “losers,” the Horton’s have redefined what freedom means—and it does not include a 30-year mortgage:

Well, we live in an apartment now, and we absolutely love it.

I think, at first, our parents are telling us, my husband's parents are telling us, "This is what you want." I think that's what I thought. Okay, this is freedom to do whatever I want—until all of these things start happening to the house. It's taking a little less freedom because I have to worry about things that are happening to the home. I don't know how much they're gonna be. I know we can't fix it, whether electric, plumbing, whatever. We're gonna hafta call or talk to somebody else to fix it.

It's taken a long time, still, for me to make this feel like home, but it finally does feel like that.

Heather worries less in her rental than she did in the house. Heather reflects on the value they once placed on homeownership and how that perspective has evolved.

Although Heather has dramatically redefined the meanings she associates with homeownership, rental, freedom and ownership, she notes there are still drawbacks to renting; however, she also recognizes her old perceptions about rental living were based in the same distorted reality as her previous ideas about homeownership:

It was just—that was nice, to be able to—and we have new windows there. The carpet was new. They make sure they changed—and the paint was new. Of course, over time, it's gotten little dings and stuff, but it finally feels—all those smells are there, still. We've made memories there already. Our dog and our cat are there. My daughter did move out *[laughter]*, so she's not there. Yeah, I think—it sounds so cheesy, but home is where the heart is kinda thing. It doesn't matter, as long as I have my husband, my family. We've already made tons of memories there.

Looking back now, Heather affirms her family would not have bought a house. She does not think they understood what they were getting into. Further, all of those dreams they had tied up in homeownership—of creative projects and remodeling—never happened:

We would not have bought a house. We know that now. We definitely weren't—I don't wanna say mature enough. We didn't know what we were getting into. We really didn't. It was nice to paint a room whatever I wanted, and to do—but, all these things I wanted to do to the home, I didn't. I didn't remodel it. Yeah, I painted and we changed carpet, but all these remodeling things, I didn't do any of that.

Although not as dramatic of a shift, Helen went on a similar redefining journey of her meaning-making experience about homeownership and foreclosure. Like Heather, Helen was excited to think about the creative projects and personal touches she would add to her home. She also initially embraced the concept of homeownership as freedom and ownership:

Well, it starts out a little exciting, because you've got your own place, you can fix it up the way you want to, as long as the money holds out.

Helen does acknowledge there are limitations to freedom and ownership—one can “fix it up the way you want to, as long as the money holds out.” Unfortunately for Helen, the money not only did not hold out but it was also short a good amount of the time. Helen acknowledges having to rely on food pantries and occasionally getting assistance from the Township Trustee.

In addition, since Helen was the primary breadwinner and responsible for most household duties, she was disconnected from the freedom of leisure and rest:

Sometimes it was just the upkeep of trying to—we had a pretty big sized yard, going home and trying to push the mower and mow, after you've worked all day. Come home to that, and not having the money that you needed to do the little things that you would've liked to've done, or purchased, or whatever. It was pretty well, you have enough to make the payment, to buy a few groceries. You make just maybe \$100.00 too much to get any kind of assistance. It's just kinda hard.

It took me about I'd say an hour and a half to mow it. He had allergies, so he couldn't mow the grass. The kids didn't always—they were, at the end, they were old enough to help, but most of the time they didn't a whole lot.

Contrary to living a life of freedom where she was in control, Helen admits, “It was stressful all the time.” In fact, some might be surprised to learn that although the foreclosure caused Helen significant worry and concern, it also brought her some measure of relief:

Kind of a blessing in disguise. Well, it was kinda nice there for a while, cause I wasn't making any payments. I was living there rent-free except for utilities. That was nice, but it doesn't last.

There exists a level of irony in that Helen, through foreclosure, at least temporarily, found the freedom she never experienced with homeownership.

When Dorothy was asked what she liked most about homeownership, she provided a simple reply, "It was mine." [Laughter] Yet, like most of the other participants, Dorothy never established her financial footing in homeownership to truly be able to enjoy any lasting aspects of freedom or ownership. One aspect that Dorothy did enjoy while living in the home was the ability to have an animal companion. Having a pet was a significant expression of freedom that Dorothy enjoyed in homeownership that she was disconnected from when she began renting following the foreclosure. When Dorothy left homeownership, she had to say goodbye to her dog. This loss was a tremendous one for Dorothy:

One of the other things that I had to give up when I lost my home was my dog. I had a Rottweiler. Apartment complexes just don't take Rottweilers.

Like every other participant, one of the things Jessica liked about homeownership was perceived creative freedom:

Let's see. What did I like best? Probably the fact that if I wanted to do something, I didn't have to run it by anybody. I could just kinda do what I wanted to do. If I wanted to paint the wall, I could paint the wall; I mean, things like that, just having that freedom.

But, when I asked Jessica about engaging in the freedoms she associated with homeownership, she acknowledged that she had not painted and, because of the tight margin on the mortgage, she could not afford upgraded design features on the home:

We had it painted before we moved in, but it wasn't white, it was tan. It was new when we moved in. We did (have option to pick features), but we also had—because of my credit, and my student loans, and stuff like that, I could only afford so much for the house, so we had to take that into consideration.

Jessica's response again underscores the important distinction between what participants perceived their homeownership freedoms to be and what they consisted of in reality. Like many of the other participants, one reality of homeownership Jessica did not appreciate was home maintenance:

I didn't like having to fix things myself. [Laughs]

For the youngest participant, Jessica demonstrates significant insight into the perceived concepts of freedom and ownership that are associated with homeownership:

Probably in the beginning, it was very exciting, very wow, this is mine. Now, all of a sudden, it's not. It's just, I guess, the frustration. You think you have control in the beginning and then at the end, you realize how much control you don't have.

You think it's your house, but it's not. It's the mortgage company's house. It's almost like you're still paying rent. Even though I could do what I want to the inside of the house—it still could be taken away.

Jessica has unraveled the slick messaging about homeownership. Until a person pays off their mortgage, the home is technically not theirs. She is correct—"You think it's your house, but it's not. It's the mortgage company's house. It's almost like you're still paying rent." Yes, perhaps, it is like paying the rent—except, in a homeownership situation, the mortgage holder is responsible for maintenance and other unexpected expenses. It does beg the questions—What is freedom? What is ownership?

Sub-theme 4d: Disconnection from asset creation.

Asset creation is often identified as one of the perceived benefits of homeownership. There is a perception that homeownership increases one's wealth

through the accrual of equity. Yet, for these participants, whether through predatory loans or manipulated financing schemes, major health issues, or divorce, they were disconnected from accumulating wealth. In fact, all participants filed for bankruptcy—disconnecting them from their financial assets for at least several years.

Not only did Helen have no real chance of accumulating equity and wealth in her home, but she also relied on some social assistance to make ends meet:

Well, the food pantries. A lot of things, like I said, you're just 50 to \$100.00 too much to actually qualify for things.

Helen estimates she was \$50 or \$100 over eligibility guidelines from receiving public assistance benefits. One might question how Helen qualified for a mortgage if she was this close to the poverty level. In addition, given her financial position and value of her home (\$55,000), it was unlikely she was going to increase her assets in any meaningful way. Certainly, experiencing foreclosure and declaring bankruptcy added to this challenge:

...don't let a person get themselves in such a situation that they're gonna lose everything. Because they don't only lose the house, you lose—if you have to file bankruptcy, there's that involved, and then you've got that stigma with you for seven, ten years, whatever that is. You still can't—I went out to Wal-Mart to try to get one of their Wal-Mart cards, for \$100.00 or \$400.00 for Christmastime, or whatever. You can't do that anymore because you filed a bankruptcy. Things like that, you actually don't see that at the time, what all that entails. How far down the road it goes with you.

I mean they tell you, but you don't really realize, I don't think, how much it takes out of a person's life.

Other people I think could be disastrous for them. A young couple starting out, get them self in this mess, and then where do you go? If you don't have family, or somebody who will come to help you along the way. It can be rough. If you've got little kids.

Like Helen, Heather was also disconnected from any meaningful asset-building aspects of homeownership. Heather did believe the idea that homeownership is what responsible people are supposed to do and that is a part of achieving the American

Dream:

I think it was that's the American Dream. That's what we're supposed to—people who live in apartments or people who rent, they're losers. What are they thinking? Rent is a lot more than—you see it on commercials. Why rent, when you can buy? I loved that house. I didn't wanna—I didn't wanna even think about losing it or it being empty. My daughter basically grew up there. It was a lotta sentimental value, too.

Then, Heather's financial margin grew tight. The home fell into disrepair and the likelihood of the structure yielding any wealth began to diminish:

Yeah. You almost start resenting every time a bill would come in, or resenting the house because I still have to make a \$700.00 payment, and here it is falling down around me, it felt like. It wasn't, but it needed a ton of work.

The Horton's became so disconnected from the asset-building features of homeownership that even their daughter felt the need to contribute to family expenses:

I was ashamed that she felt like she needed to be responsible, to have to worry about where we're gonna get that money from. Because all she's heard is, "How are we gonna get the money? What should we do? What should we?"—'cause, especially towards the end, we were not paying our electric bill one month, and then paying it the next month.

Typically, when we think of home equity or the asset-building features of homeownership, it is used to help finance educational expenses for children—or, maybe, in Heather's daughter's case, extracurricular activities; however, the family's financial margin was too thin and their house too underwater to extract any monetary assets.

Linda sees asset-creation happening—but for financial institutions and not everyday individuals and families. Maybe as questions are being posed about the

concepts of freedom and ownership, additional inquiries about how assets are created and who they are created for also need to be considered. Linda posits that if we continue with the current regulatory climate and economic practices, it will be the institutions that continue to build assets:

The institutions will continue to make money, and we will continue to see a huge divide between the haves and the have-nots, and there are gonna be a lot of people who thought they were in the haves, but they're gonna be have-nots.

Theme 5. Foreclosure is a consequence of a disconnection between participants' social service-based, helping-based and/or low-wage employment and self-sufficiency.

Another experience shared by the participants was an association with social-service based, helping-based, and/or low-wage employment. Despite holding positions, or because of them, where participants help other people, they were unable to help themselves out of foreclosure. For example, at the time of her foreclosure, Linda was employed by an agency that provided affordable housing opportunities. Despite being intimately aware of real estate development and the housing finance system, she was still unable to navigate a successful resolution with her lender. Linda explains the disconnection in her professional position and the situation she was in:

It was very conflicting because I felt like this is a nightmare. This is what I try to counsel people on. I try to explain to them, "These are the steps you take so that you protect yourself and your investment." Every step I was taking, the system was saying, "No, we don't accept that."

It was a real eye-opener for me because, unlike the people I was counseling, I had a decent income. It wasn't going to me, but—and I had more education. I had been—I wasn't a young kid. I was in my 50's. There was—it was like this is not what you read in the textbook. This is not what you hear from the professionals. This is not what I've been

telling these people. I was finding that in theory, yes, it's supposed to work, but in practicality, it didn't.

This anecdote underscores a critical lesson from Linda's experience. Very few people would have more knowledge about helping someone navigate through foreclosure than Linda. Further, up until the circumstances leading to foreclosure, Linda had a positive and long-term relationship with her lender. Yet, she could not successfully negotiate with her mortgage servicer. If Linda is unable to find a resolution, is it possible for others with more limited knowledge and resources?

At the time of her foreclosure, Helen was employed by a state agency that serves people with disabilities who have employment and financial challenges. Yet, to fully understand Helen's disconnection from her employment and self-sufficiency, one needs to first look into her past employment. Helen worked in a manufacturing plant for 22 years. She says the company told her she was being downsized due to an economic downturn. Helen is convinced she "waged out" because she was at the top of the wage-scale and did not have a college degree. She feels like they let her go so they could pay someone else less income. When she left the manufacturing job, she was making \$30,000—that was 20 years ago:

I worked 22 years for a gasket manufacturing company. They said that—they had a recession cutback, they said. I don't buy that, but I—they just knew somebody that they could not have to pay. I didn't have college experience, so they didn't wanna pay the kinda wages they were paying. They could fire me.

One year, I made like \$30,000. Then, when you go down to...I mean they had a bonus program that the company did, well you got a good bonus that year. I had 20 years in, so I was doing better than...Well, that was when I was married, I worked there. Because I actually started with that company in '68, and I think I actually purchased my house, the first house, in '78 I think it was.

For the last 20 years, she has worked for the state—at one of the prisons, at a juvenile detention center and now for vocational rehabilitation. In her helping-based position where Helen provides administrative support, her income is significantly lower than her manufacturing job was over 20 years ago:

I worked for the State of Indiana. At that time, I guess I had already been transferred to vocational rehab... I had worked at the prison...I had worked at the juvenile detention center for several years before I came here.

Most people don't have the—a very good paying job. I mean the state pays okay. The people believe the state pays you exorbitant amounts of money. That's not the truth. We looked at—so many homes we tried to even look about renting places and nothing was under five or six hundred dollars to rent.

When asked what her annual income was at the time of the foreclosure, Helen responded:

At that time? Probably back then, it would've been \$18,000 something a year.

From Helen's perspective, an \$18,000 annual salary was "okay" pay. Yet, if one looks at the poverty guidelines in 2009, for a household of four, the income-level was \$22,050. If Helen's estimates are correct, for her household size, she was earning a poverty-level wage. A review of recent state job postings of similar positions reveals Helen's estimates are in-line with current wages. A similar position to Helen's in another part of the state is paying around \$19,000 annually. Helen's low-wage issue brings up a couple of considerations: 1) How was she able to qualify for a mortgage based on this household income? and 2) Is it ethically or fiscally acceptable for the state to pay poverty-level wages for a full-time job? Throughout her time in her current position, supervisors and co-workers have provided much needed and appreciated emotional and financial support to Helen:

They knew a lot of things that I was going through. They were very supportive and very helpful to me in that period of time. Financially they helped me a lot of times, when they could.

In effect, Helen's supervisors and co-workers were subsidizing the poverty-level wages she was earning from the state. As Helen worked for a state agency that helps people with disabilities improve their self-sufficiency, Helen's poverty-level, state-based employment was an impediment to her own self-reliance.

Helen thinks someone who works should not have to struggle as much as she does to make ends meet:

...you think to yourself, if I'm working, why isn't there enough to go around?

Are you gonna be able to keep paying all this, plus the utilities, plus the medical bills, on a limited income? You can't really think about retiring, even though you think you want to, because you don't see how in the world you were gonna make it.

At the time of her foreclosure, Dorothy was employed as support staff for a university-based internship program within a professional school. She estimates her income:

At the time, I think I was making roughly \$25,000/year.

Dorothy enjoys her work and takes pride in continuing her involvement with the social work profession. Like other participants, she was employed in a helping-based, support position that paid a relatively low-wage. Although Dorothy was not in as dire of a situation as Helen was with her poverty-level wage, there does seem to be a disconnection of working in and around social work education at the same time she was financially and emotionally struggling. The profession of social work is concerned with empowering individuals and expanding opportunities for social and economic justice. If

the profession is unable to provide a living wage for the people it employs to assist with carrying out that mission, then how does it portend to adequately help the people it serves?

Heather was also employed in a helping-based position during her financial struggles and foreclosure. Heather experienced a disconnection in her financial situation and her perceived expectation that her employer expected her to tithe:

I work at a community church.

By this time, I'm working in the church, too, so I feel like—I don't know. There's this status, working there. I feel like I should be tithing, as well, giving money to the church.

Despite her financial difficulties and the impending reality of facing foreclosure, Heather felt she should still contribute to the well-being of others. This dichotomy of financial inability to help and desire to help is a common experience of the participants employed in social service-based and helping-based professions. Their financial well-being is put at risk due to their care, concern and wage sacrifice for others.

Jessica also depended on helping-based employment and low-wage work at the time she was facing foreclosure. Jessica had shifted to caretaking of other people's children to enable her to balance her responsibilities of maintaining a household and raising her children. However, when the people who employed her learned she was having another child, they became concerned about Jessica's ability to keep caring for their children and ended their employment relationship with her:

Yeah, then we had it all caught up in 2013 for—at the tax season. The problem there was I was pregnant with the third. When my families found out that I was pregnant, they just kinda up and left me.

Unfortunately, the loss of this employment occurred at the precise time Jessica needed it the most. She was pregnant, due in about five months and, once again, facing financial insecurity and the possible loss of her home. Being the responsible person she is, Jessica immediately set-out to find alternative employment, which initially proved costly to her in terms of lost time and resources:

Yeah, and so I had to—I wasn't planning on finding a job or figuring something out until after he was born. This was, what, the January/February time-frame 2013; I was due in June. I had to find a job fast. That's how I got started driving the bus. I did the training cuz I didn't have my CDLs at that time, and they provided training. Their ad advertised that you got paid \$11.50 an hour for training. Then once you passed your tests and you were driving, then you'd get bumped up to a sub-position, which'd be \$16.25 an hour. Then once you're on contract, you're making \$20 an hour and some change once you have your own route. That's what was advertised and all the paperwork they gave me said that. Then I'm almost all the way through the training when they told us that the way that they do the payment you're self-employed. They consider you self-employed. You're not technically hired by them yet.

Yeah. You're not gonna get paid until they feel like you're halfway through the training: you're gonna get half of your payment, and then at the end of the training, once you've passed your tests, you'll get the other half. Then towards the end of my training a few weeks to go, I'm getting worried because I'm like, "I got caught up on my mortgage."

Jessica was counting on this amount because she was, once again, getting behind on her mortgage payment. She went in to find out exactly how she was being compensated.

Jessica learned that they pay the trainees through a voucher:

They do a voucher. It doesn't matter how long you train, or anything, or how long it takes you to finish the training, you only get paid, what was it, like \$800 for the whole training or something like that. I'd already been training for two months.

Jessica did not understand why they were dragging out the training so long. She had already been in training for two months and had received no compensation:

After all of that time. I mean, if I would've known that, I woulda been like, "Come on, let's get it done. I'm not dragging it out for two—" I didn't know why they were dragging it out so long anyway, and I was getting a little frustrated because of that. I'm a fast learner, so I'm like, "Come on, come on." Yeah, they were like, they had changed it on their stuff. They're like, "Oh, we used to do it like that, but it just got changed." They didn't give us the updated paperwork.

This change in the anticipated payment structure resulted in Jessica not making any income again, which put the family further behind:

Then, I ended up not bringing in—bringing any money in, so then we were behind again.

Oh, we did four hours—three hours a day, five days a week. Then at the end, I started doing Saturdays, too. just to get—hurry up and finish because I'm telling them here we are in March—at the end of March. I was like, "School's almost over. I gotta get some work in before school's over, and I'm getting ready to have a baby." I'm freaking out at this point. Then, I passed my test on April 3rd and I immediately start working at the \$16.25. I only got to work six weeks before I started having issues with my pregnancy. The doctor took me off of work, so then I was off all summer.

Then, we were just really—and that's when I started tryin' to do the paperwork to get assistance through the mortgage. I was like, "There was nothing I can do."

Facing the reality of their situation, Jessica started the paperwork to secure a loan modification. She felt resigned to the circumstances of their financial situation. Despite Jessica initiating several attempts to remain self-sufficient, she was challenged by unexpected delays of securing employment and shifting expectations concerning wages and benefits. For most of the participants, the hidden costs associated with low-wage and/or helping-based employment impeded their ability to achieve and maintain self-sufficiency.

Chapter V. Discussion

Finding Meaning: Interpretative Phenomenological Analysis

The purpose of this study was to explore with depth and intentionality the lived experience of foreclosure. In particular, the *thing itself* to be *uncovered* was the meaning homeowners associated with the experience of foreclosure (Lavery, 2003; Smith et al., 2012). Through interpretative phenomenological analysis, an essential pattern of disconnection was associated with the meaning-making experience of foreclosure. Beyond being physically disconnected from the physical structure of one's home, the participants also felt separated from their personal identity, from their competency of housing finance, from the social exchange they engaged in with their lender, from the benefits of homeownership and from self-sufficiency due to their social service-based, helping-based, and/or low-income wage employment. These areas of disconnection form the five primary themes related to the essential pattern of foreclosure as disconnection.

Eloquently, Van Manen (1990) articulates the critical importance themes provide when understanding and interpreting the commonality of participant experience, "Themes are the stars that make up the universes of meaning we live through" (p. 90). The thematic patterns illuminated through IPA reflected a significant disconnection in many critical areas of the participants' lives. Now that these patterns have been brought out of the darkness, we can respond as social work researchers, educators, and practitioners. From disconnection, we can collectively work to establish connection between participants and self, competencies, relationships, assets, and self-sufficiency.

In attempting to understand and articulate the best ways to establish connection, it is helpful to consider Van Manen's (1990) conceptual framework of the four existentials.

Existentials are understood to be general, common lifeworld themes (Van Manen, 1990). Van Manen (1990) posits that all lifeworlds reflect, at some level, these core experiences. The existentials may help deepen our understanding of the participant's lifeworlds as they relate to the disconnection caused by foreclosure. Depth in understanding can clarify implications for theory, education, practice, policy and research. The four existentials are articulated in the following sub-sections as conceptualized by Van Manen (1990) and applied to the essential pattern of foreclosure as disconnection:

Table 10 Van Manen's Four Existentials

Van Manen's Existential Concept	Van Manen's Existential Framework	Application to Essential Pattern: Foreclosure as Disconnection
Lived space	Spatiality	Home as space
Lived body	Corporeality	Sense of self
Lived time	Temporality	Individual and socio-economic context
Live human relation	Relationality	Relationship with lender

(Van Manen, 1990, pp. 101-106)

Lived Space: Home as Space.

Although Van Manen's (1990) conceptualization of spatiality broadly includes all mathematical and physical space, he notes the distinctiveness of home as place. "Home is where we can *be* what *we are*" (Van Manen, 1990, p. 102). Commonly, home represents a place where we belong, where can be ourselves, where we can feel secure. Without exception, each participant noted the unique, special aspects of their lived space. For Linda, her home provided space for significant gatherings of family and friends. Although Helen's home was a space of social and familial isolation, it also provided her with a place of security. Even in spaces of discomfort, people sometimes find stability in the familiar. Dorothy's lived space represented a sense of ownership, "It was mine." In her home, Jessica's space meant providing stability for her children that she never experienced in her own childhood. Van Manen (1990) also acknowledges the importance

of home to childhood stability, “In the home and its immediate environment the child is offered the opportunity to explore the world from a safe haven” (p. 106). And, Heather’s home so embodied her family as space that it took on the fragrance of her daughter and husband,

It would be either a candle that I lit, or my *[laughter]*—a perfume that my daughter wears, or a cologne that my husband wore. You could smell that. The smell of my dog being in the room, or whatever. It would just—you just walked in. Those were the smells. That’s my family *[laughter]*.

For all participants, home reflected a special space. In its most fundamental sense, foreclosure disconnected each participant from the physical space of their home. Yet, beyond the physical structure of their homes, foreclosure also separated participants from all of the specialness of their lived spaces---gatherings with friends, essence of family life, demonstration of self-efficacy, and stability and security. Foreclosure disrupted the lived space of each participant. It separated participants from “the location of our shared lives, the home” (Van Manen, 1990, p. 106).

Lived Body: Sense of Self.

Although Van Manen (1990) conceptualizes the lived body as primarily a physical incarnation, in its application to the findings of this study, it is broadened to include a holistic sense of self. At the core of an existential framework of the lived body is the notion that people simultaneously reveal and hide aspects of their being and life experiences (Van Manen, 1990). It cannot be known what participants chose to hide, “consciously or deliberately,” about their selves and experience with homeownership and foreclosure; however, participants did reveal a disconnection from their lived identity due to foreclosure (Van Manen, 1990, p. 103).

Each participant reflected a significant questioning and redefinition of self due to the experience of foreclosure; however, two participants articulated the loss of lived body most profoundly. For Heather, undercurrents of shame and stigma permeated most of her interview. Her language, in more than one way, interchanged the physical structure of her home with bodily attributes of her family. She also conflated the loss of home as divorce—or a bodily and emotional separation from her place of shelter. Psychologically, she equated homeownership with the physical representation of responsibility, personal growth, and maturity. Likewise, when she lost the home through foreclosure, she internalized the embodiment of irresponsibility and immaturity. The loss of identity and self-perception fundamentally shifted for Heather.

Like Heather, Linda also expressed a tremendous loss of personal identity. Linda experienced disconnection from her lived body both psychologically and physically. A terminal cancer prognosis estimated six-months of remaining life for Linda. Impending death would obviously mean a complete disconnection from her lived body. Further, as Linda separated from her body, she was also separating from her house. Her medical-related issues prevented Linda from continuing her employment. Without an income, Linda faced disconnection from her lived space. Since Linda's personal identity was intimately connected with the house, this situation caused a significant separation from the lived self:

You lose your whole perspective of who you are. I mean, one day you're a successful person. You have family. You have friends. You have a good job. You don't worry about money. You are the one that are the caregiver, the nurturer—and then all of a sudden, you don't have the job, the profession. That's your identity. You don't have the home. You don't have the security. You're being told you're less than what you oughta be.

You've done something wrong, and it shatters what you had always perceived yourself as being of, like as I say, a confident, competent—individual.

Lived Time: Individual and Socio-economic Context.

When considering the essential pattern of foreclosure as disconnection, lived time is a critical concept. The conceptual framework of lived time is not concerned with notions of time clocks but with contextual periods—dimensions of past memories, present realities, and future visions (Van Manen, 1990). There are two critical ways in which context matters to how participants experienced homeownership and foreclosure: 1) individual context and 2) socio-economic context.

In social work, we embrace the idea of person and environment. A person is not separate from the world around him/her and society, likewise, consists of individuals. From the perspective of a phenomenological lens, the focus is on identifying and analyzing the meaning of shared experience. Yes, there were common experiences among the participants. Yet, within the gaps of shared experiences lie distinct and unique pasts, presents and futures. To understand the whole, attention also must be given to the part. Linda's particular context reflects a stable past that was undermined by a critical health crisis. Unlike other research participants who were of modest means, Linda had a higher socio-economic standing. Yet, despite all of her advantages, including specialized knowledge of real estate and housing finance, she shared the lived experience of foreclosure. Dorothy experienced significant depression, lasting several years beyond her foreclosure. Refusing to allow her past to define her future, she has empowered herself through homeownership education and training and plans to be a homeowner again. In the past, Heather was devastated by foreclosure, considering it a personal failure of

responsibility and maturity. In her present, Heather has redefined what it means to be a renter and is enjoying her newfound financial and psychological freedom. Helen continues to work, even though she has reached the point in her life when most people retire. Her future is constrained by her past social isolation and present economic insecurity. Jessica is in the process of giving her husband one last chance to be a committed and responsible life partner. Even with their commonalities, participants live nuanced lives.

Although participants experienced nuanced lives, another commonality they shared was socio-economic context. Participants purchased homes during a period of time when the regulatory environment governing financial institutions fundamentally shifted. The collective span of time between mortgage origination and foreclosure for participants was 1999-2012. At the end of the 1990s, a substantial shift occurred in financial deregulation. In 1999, President Clinton signed the Financial Services Modernization Act of 1999, which repealed Glass-Steagall and again allowed commercial banks to engage in investment activities with their customers' money (Carow et al., 2011; MacDonald, 2005). Further, the Commodity Futures Modernization Act was passed in 2000, which allowed "over-the-counter" investment derivatives, including credit default swaps (CDS), to be unregulated (Friedman & Friedman, 2010; Stout, 2011). CDSs were the genesis of the securization of mortgages (residential mortgage backed securities) and a contributing factor to the economic crash of 2008 (Friedman & Friedman, 2010; Schwartz, 2010; Stout, 2011).

Lived Human Relation: Relationship with Lenders.

From Van Manen's (1990) perspective, relationality, or relating to other people, is one way human beings search for a sense of purpose or meaningfulness in their lives. In the beginning of the lender-borrower relationship, participants found a shared sense of purpose with their lenders through the meaningfulness of homeownership. Lender and borrower joined together through a contractual obligation forged in a mortgage loan. Over the course of the lender-borrower relationship, there existed a common breakdown in the purpose and meaningfulness of the contractual union.

Geographical distance posed significant strain on lender-borrower relationships. Participants placed phone calls, sent correspondence, or otherwise attempted to maintain some mutually beneficial relationship with a distant lender. All participants except one would eventually learn that their lender had sold their contractual obligation to the highest bidder. Some participants learned that their meaningful and purpose-filled mortgage contract was sold multiple times—so many times, that one participant could not remember who held the loan last.

Some participants would learn that their shared relationship never meant as much to the lender from the beginning. They had been manipulated and lied to from the beginning of the relationship as they learned their loan contained unethical and predatory features. Further, when they needed their mortgage partner more than ever to save their home, lenders were indifferent and callous to borrower need. Each lender-borrower relationship became so disconnected that the contractual bond was terminated and the realization of the one-sided relationship was sadly accepted.

“The bank was the bank. There was no human side to it.”—Linda

From Disconnection to Connection

With deeper understanding developed from exploring participant common themes through the lens of Van Manen's (1990) four existentials, implications for theory, social work education, social work practice, housing policy, and foreclosure response will be discussed.

Connecting Understanding: Implications for Theory

Prior to the study, four theoretical frameworks were analyzed for relevant explanatory features helpful in understanding the intersection of homeownership and foreclosure: 1) asset development theory, 2) functional theory of federalism, 3) Marxist theory, and 4) social exchange theory. In light of the study's findings, these theories will be reexamined to discover ways in which participant accounts affirmed and challenged these explanatory frameworks.

Asset Development Theory.

The findings of this study uncovered a few significant implications for asset development theory. Asset development theory contends that, if wealth-building opportunities are provided, then people of low socio-economic status can accumulate assets and enjoy the associated benefits (Sherraden, 1990). Homeownership, along with pursuing higher education or starting one's business, are considered to be foundational wealth-creating ventures. The theory's conceptual framework highlights 11 complementary policy principles (see Chapter 2), including, complementing income-based policy, encouraging "gradual accumulation" and "promoting economic information and training" (Sherraden, 1991, p. 199). Obviously, for the participants, homeownership did not result in asset accumulation. Not only did the participants lose their homes but

they also declared bankruptcy, which will limit their asset-creating activities for years to come. Their experience underscores the need for policy to adhere to the three principles outlined by Sherraden and noted above (1991).

Complementing income-based policy.

Three of the participants (Helen, Dorothy, and Jessica) were constrained by their helping-based, low-wage employment. The financial margin was so tenuous for them that when confounding life challenges appeared, they were not able to cover the unexpected expense and everyday bills. One crisis or multiple economic disruptions pushed the participants into a financial downward spiral toward foreclosure and bankruptcy. Part of the reason for their shaky financial standing was due to their low-wage, and, in some cases, poverty-level, employment. In order for people with low-incomes to build a solid foundation for asset-accumulation, they must be paid a sustainable wage. Otherwise, people with low-incomes will always be one unexpected life crisis or a few disruptions away from financial insecurity and instability.

Gradual accumulation.

In considering the “gradual accumulation” of assets, at least one participant, Jessica, discussed in some detail how she felt rushed through the home-buying process. Jessica also noted how she thought it would be beneficial to require evidence of a savings account, equivalent to a down-payment standard, at the time of home purchase. From her perspective, if she had a savings account, she could have staved off life’s confounding challenges and retained her home as an asset.

Promoting economic information and training.

Without question, the importance of this policy principle was affirmed by the participants. Many of the participants noted the lack of literacy they possessed about the home buying process. Further, this lack of home-buying literacy created the conditions for participants to be exploited and disempowered through the home-buying process. Although there exists an overall gap in financial literacy in the U.S., it is important to note the particular peculiarities and nuances regarding home finance. Front-end, back-end, and loan-to-value ratios are not topics Americans discuss in everyday conversations. Further, these are not concepts typically covered in the standard curriculum of most schools. Empowering home-buyers, and people of low-incomes in general by offering user-friendly training on housing finance should promote sound financial decisions and minimize consumer exploitation.

Participant findings also raise another important conceptual consideration relevant to asset development theory. Embracing a capitalistic perspective, this theory privileges wealth-accumulation and ownership (Sherraden, 1990). Yet, through their homeownership high-points and foreclosure low-points, participant experiences challenge traditional concepts of assets and ownership. Perhaps, it is not logically or intellectually honest to challenge the theory on these conceptualizations given its foundational connection to wealth-accumulation; however, there needs to be some space to explore the depth and breadth of conceptual attributes of assets and ownership. For some participants, psychological and financial assets were gained through the stability and freedom acquired through renting—not owning. And, as Jessica so eloquently and dishearteningly noted,

You think it's your house, but it's not. It's the mortgage company's house. It's almost like you're still paying rent. Even though I could do what I want to the inside of the house—it still could be taken away.

Functional Theory of Federalism.

The most relevant finding related to the functional theory of federalism concerns financial regulation. Most participants spoke indirectly about policy-related issues; however, Linda was very direct in her criticisms concerning financial deregulation. She attributed the lax regulatory environment as the reason for homebuyer exploitation and market failure. From her perspective, unless Dodd-Frank is fully implemented, abuses of homebuyers will continue and future market disruptions will occur. Indirectly, other participants noted the consequences stemming from financial deregulation and lax enforcement of existing laws.

Typically, federalism relegates redistributive policies to the federal-level and developmental policies to the state-level (Peterson, 1995). Although there are considerations for housing policy and foreclosure response that were not addressed in this study's findings, the regulation issue prompts immediate consideration. The housing crash occurred over eight years ago in 2006 and the Great Recession began six years ago in 2008. The comprehensive financial regulation to address the economic crisis, Dodd-Frank, was not drafted until 2010—two years post-global economic crash. Further, it was not passed until 2012 and parts of the legislation remain unimplemented. Due to the widespread disruption caused by nefarious lending practices and financial institution behavior, financial regulations must be strengthened at the federal-level to ensure equal protection for all consumers and timely resolutions of loan modifications.

Marxist Theory.

An entire book could be dedicated to articulating how participants' experiences are informed by Marxist theory. In fact, one might argue Picketty's recent contribution, *Capital in the Twenty-First Century*, does just that. Marxist theory is deeply relevant to understanding and explaining participants' experiences with homeownership and foreclosure; however, there is an important distinction and implication for its conceptual framework. At its core, Marxist theory is concerned with the means of production and who controls the benefits of that labor (Marx, 1964). Obviously, as evidenced by Helen, Dorothy and Jessica, "wage-slaves" still exist (Marx, 1964). Yet, a fundamental shift has occurred within the ruling class, which in the case of this study, are represented by financial institutions. In the financial environment, capitalism has become so perverted that there is no longer anything produced. Financial institutions have effectively accumulated wealth, hoarded it, and continued to insatiably exploit the working class for more capital. The separation of people from the outcome of their labor continues.

Cumulatively, each participant was exploited in fundamental ways. Most notably, participants bought into the marketing scheme of the "American Dream." The slick marketing message convinced them they would, through homeownership, find freedom—creative freedom, personal freedom, and financial freedom. Instead of finding freedom, participants found despair, insecurity, and bankruptcy. A few years after their foreclosures, some of the participants are beginning to find their financial footing again while others continue to struggle. At the same time, "too big to fail" financial institutions continued to merge and consolidate power and influence, compensation packages grew

larger and exploitative lending practices, although reigned in, continue. Exploitation endures.

Social Exchange Theory.

Findings from this study challenge essential elements of social exchange theory. The theory contends while individuals attempt to maximize personal gains, they are also mediated by conforming to socially desirable characteristics thought to prevent acting in selfish ways that result in detriment to others (Longres, 1995). All evidence indicates lenders were not only significantly focused on maximizing personal gain but that they also were particularly immune from any social controls. In some cases, the damage they callously and with willful disregard, inflicted upon the participants was extremely detrimental. From the participants' experiences, the social exchange relationship between borrower and lender is fundamentally broken.

Social exchange also posits that individuals have available to them a range of choices (Robbins et al., 2006). For example, based on a list of favorable or unfavorable criteria, participants may choose one lender over another. The fundamental flaw in this proposition is the assumption that consumer choice and empowerment exists. During the 1990s and early 2000s, it was common practice to disregard standard underwriting protocol. The power and resource imbalance in the lender-borrower social exchange relationship are critical factors for consideration. As the findings from this study suggest significant flaws and considerations for revision, additional research should be conducted to test the conceptual and empirical validity of this theoretical framework.

Connecting Competency: Implications for Social Work Education

The NASW Code of Ethics (2008) outlines social work's commitment to vulnerable populations and the responsibility to pursue economic and social justice. Findings from this study have highlighted the economic impact of homeownership and foreclosure. In order to serve and advocate for vulnerable populations, social workers must not only be comfortable with financial information but also have some level of literacy with the topics. The Code of Ethics (2008) instructs social workers to practice only in the areas in which they are competent. Given that many of the micro and macro issues impacting clients have economic ties, it is essential for social workers to develop financial literacy (Birkenmaier & Curley, 2009; Sherraden et al., 2007).

Currently, there are two meaningful attempts to increase social work competency with financial issues: 1) Center for Financial Social Work, and 2) University of Maryland, School of Social Work, Financial Social Work Initiative. The Center for Financial Social Work provides a Financial Social Work Certification, which is approved by the NASW for continuing education credits (Center for Financial Social Work, n.d.). The purpose of the certification is to prepare social work practitioners to work with clients on behavioral change and obtaining financial security (Center for Financial Social Work, n.d.). In addition, the Center has prepared a support group kit for financial education. In its current form, the Center has existed since 2003.

The University of Maryland's School of Social Work introduced its comprehensive Financial Social Work Initiative in 2008 (University of Maryland, School of Social Work, n.d.). The scope of the effort includes instructional education, practice interventions, research initiatives, policy advocacy, theory development and community-

based partnerships (University of Maryland, School of Social Work, n.d.). In addition, the Initiative also encourages and supports networking among social work educators, practitioners, and researchers.

These two efforts are an important step forward in ensuring financial literacy among social work practitioners; however, a larger commitment to expand professional-wide competency in this area is needed. In addition, it is critical that social workers are also competent in the area of policy practice and advocacy. Solely focusing on individual financial literacy ignores and minimizes the structural forces that keep people in poverty.

Connecting Empowerment: Implications for Social Work Practice

Social workers are called to “enhance human well-being and help meet the basic human needs of all people, with particular attention to the needs and empowerment of people who are vulnerable, oppressed, and living in poverty” (NASW, 2008, p. 1). This study illustrated how easily it was for unscrupulous lenders to exploit low-information home buyers. Social workers should work to ensure borrowers, of all ages and socioeconomic backgrounds, are empowered through homebuyer education. Further, beyond traditional number-centric homebuyer education and counseling services, social workers should explore the utility and evidence for offering “grief counseling” or support group programming for people who have endured significant financial challenges or losses associated with shelter. Issues of personal efficacy, depression, and insecurity were pervasive among participants. In addition to these general considerations, specific practice and philosophical implications are discussed in the following sub-sections.

Practical Implications.

According to the World Bank (2001), a general framework for attacking poverty should include the following three components: “1) promoting opportunity, 2) facilitating empowerment, and 3) enhancing security” (p. 33). Social workers should consider this framework in considering how to address the intersection of homeownership and foreclosure—particularly as it relates to individuals facing affordable housing availability, financial difficulties, or being constrained by low-wage employment.

Promoting opportunity.

The World Bank (2001) defines the promotion of opportunity as “expanding economic opportunity for poor people by stimulating overall growth and by building up their assets and increasing the returns on these assets, through a combination of market and nonmarket actions” (p. 33). Homeownership has the potential to provide this type of opportunity for people in poverty; however, stronger financial regulations must govern lending in a way that does not increase profits for financial institutions at the expense of stripped equity from borrowers. Research has demonstrated the costs of foreclosure. The next step is to evaluate and strengthen the policies and governing institutions that protect homeowners and communities from foreclosure. Social work practitioners need to reaffirm their commitment to fight oppression where it exists and work for increased social and economic justice.

Facilitating empowerment.

The World Bank (2001) states that empowerment is facilitated by “making state institutions more accountable and responsive to poor people, strengthening the participation of poor people in political processes and local decision-making, and

removing the social barriers that result from distinctions of gender, ethnicity, race, and social status” (p. 33). Governmental institutions need to play a larger and more visible role in the protection of homeowners against foreclosure. Financial institutions are chartered through government institutions. Such charters should be conditioned on providing appropriate loan products to consumers. Research documents that minority borrowers are targeted to receive higher-interest loans not based on individual credit worthiness, but by racial identity (Williams et al., 2005). Social work researchers should explore factors contributing to these unscrupulous practices and recommend solutions that strengthen protections to consumers most vulnerable to foreclosure.

The growth of fringe financial services, including subprime loans, payday lending, and rent-to-own options threaten the economic stability and opportunities in all communities (Lord, 2005). These services also have the potential to further weaken protective community and economic policy like the Community Reinvestment Act and Dodd-Frank. As mentioned previously, social workers interested in community practice should develop additional skill and competency in this emerging practice area. Weil and Gamble (2002) suggest that social workers can act in the role of negotiators, planners, promoters and/or educators to assist marginalized groups to initiate change by connecting with or targeting financial institutions.

Enhancing security.

The World Bank (2001) says security can be enhanced by “reducing poor people’s vulnerability to ill health, economic shocks, policy-induced dislocations, natural disasters, and violence, as well as helping them cope with adverse shocks when they occur” (p. 33). For the participants in this study, foreclosure unearthed real and perceived

fears concerning security. Public policy and regulations must be developed to guard against the cumulative disruptions that foreclosures bring to bear. Social workers should be on the forefront advocating for expanded consumer protections.

Philosophical Implications.

According to the United Nations Universal Declaration of Human Rights, housing is a human right that may be used to further human development (United Nations Development Programme [UNDP], 2000). Providing basic shelter helps individuals achieve the human right of having a decent standard of living (UNDP, 2000). Further, homeownership may be used as a human development tool to enrich the lives and freedoms of individuals. As an asset development tool, homeownership has been demonstrated to increase political participation/civic involvement, psychological well-being, stability in relationships, wealth, and intergenerational transfers for some segments of the general population (Miller-Adams, 2002). In addition, a home may be leveraged to start a business or further one's education. Due to confounding life challenges, unscrupulous lenders, and low-wage employment, asset-creation associated with homeownership alluded the participants in this study.

On the flipside of homeownership is the American nightmare of failed homeownership or foreclosure that not only strips the human development tools from a home, but may also leave an individual, family, or community in crisis. In the U.S., there is no guarantee to shelter. Housing is not viewed as a right, but as an economic commodity. This fact is illustrated by the operation of homeless shelters that is primarily provided by private not-for-profit, charitable organizations. The government may provide

funding to such entities, but there are no guarantees a bed will be available to someone seeking shelter.

Professor Amartya Sen provides the following definition of the human development approach,

Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it. (UNDP, n.d., n.p.)

Philosophically, the evidence provided from this study presents an initial argument for designing public policy that embraces a human development approach and protects homeowners from foreclosure. Homeownership is not only a wealth-building asset; for those properly prepared for and desire it, it can be a mechanism that enriches human life.

Connecting Relationship: Implications for Housing Policy and Foreclosure

Response

Findings from this study provide relevant considerations in reestablishing a mutually beneficial relationship between lender and borrower. The deregulation of financial markets beginning in the 1980s and continuing throughout the 1990s created the conditions and incentives for a disconnection to occur, which profited lenders at the expense of borrowers. In order to reintroduce some functional equilibrium in the lender-borrower relationship, key consumer protections should be implemented and enforced: 1) Institute consumer-authorized mortgage flipping, and 2) Recommit to standard underwriting guidelines and consider reevaluating to reflect true cost of homeownership. In addition to these consumer protections, issues of housing options and affordability should be incentivized and subsidized across the housing continuum. Each of these topics is discussed in more detail in the following sub-sections.

Mortgage flipping.

As illustrated through the experience of the research participants, loan flipping incentivizes lenders to participate in risky investment schemes at the expense of consumer protection. Because a lender immediately benefits from the sale of a borrower's mortgage and has no lasting commitment to service the loan, little regard is given to the borrower's situation and ability to repay the loan. Further, even though the mortgage contract is between lender and borrower, the borrower is not informed his/her mortgage has been sold to another servicer until after the transfer. Sometimes, the first notification a borrower receives of the sale is through receipt of a new mortgage loan payment book. The lender holds all of the benefit in this exchange—and the borrower is subject to all of the risk.

In order to refocus a lender's attention on its service relationship with a borrower, rather than on solely maximizing profit from bundling mortgages as risky investment instruments, a borrower should have to be informed and agree to his/her loan being sold prior to the transaction. In a notification of prospective sale, the terms, conditions and implications should be provided to the borrower in accessible language. This process will introduce an element of relational, shared power (Loomer, 1976) back into the lender-borrower relationship. It will also remove negative incentives on the part of lenders. Since lenders will potentially hold mortgage service responsibilities longer, they should be more likely to perform their due diligence when underwriting loans.

Reevaluating true cost of home.

Most participants identified unethical underwriting practices as a central component of their inability to sustain a mortgage. Unethical practices ranged from lax

adherence to nefarious manipulation of the underwriting process. Jessica was encouraged to sign-up for a college course, temporarily placing her student loans into deferment so that she could meet underwriting ratios. Dorothy's retirement savings were included in her income. These exploitative practices set these homeowners up for foreclosure.

The Consumer Financial Protection Bureau (CFPB), created through Dodd-Frank, has implemented new rules to curb questionable and potentially predatory practices. In January 2014, the CFPB began requiring lenders to engage in a "good-faith effort" to determine a borrower's "ability-to-repay" a mortgage loan (CFPB, 2013). Lenders are now expressly prohibited from determining a borrower's ability to repay based on the first few months of a loan when an artificially low "teaser rate" may be in effect (CFPB, 2013). According to "ability-to-repay" rules, lenders must take into account the borrower's ability to repay for many years and consider a "borrower's income, assets, employment, credit history and monthly expenses" (CFPB, 2013).

Further, lenders may offer and borrowers may choose a qualified mortgage (QM), a new category of mortgage designed by CFPB, which meets the ability-to-repay standards and precludes risky features, and limits points and fees that banks can charge (CFPB, 2013).

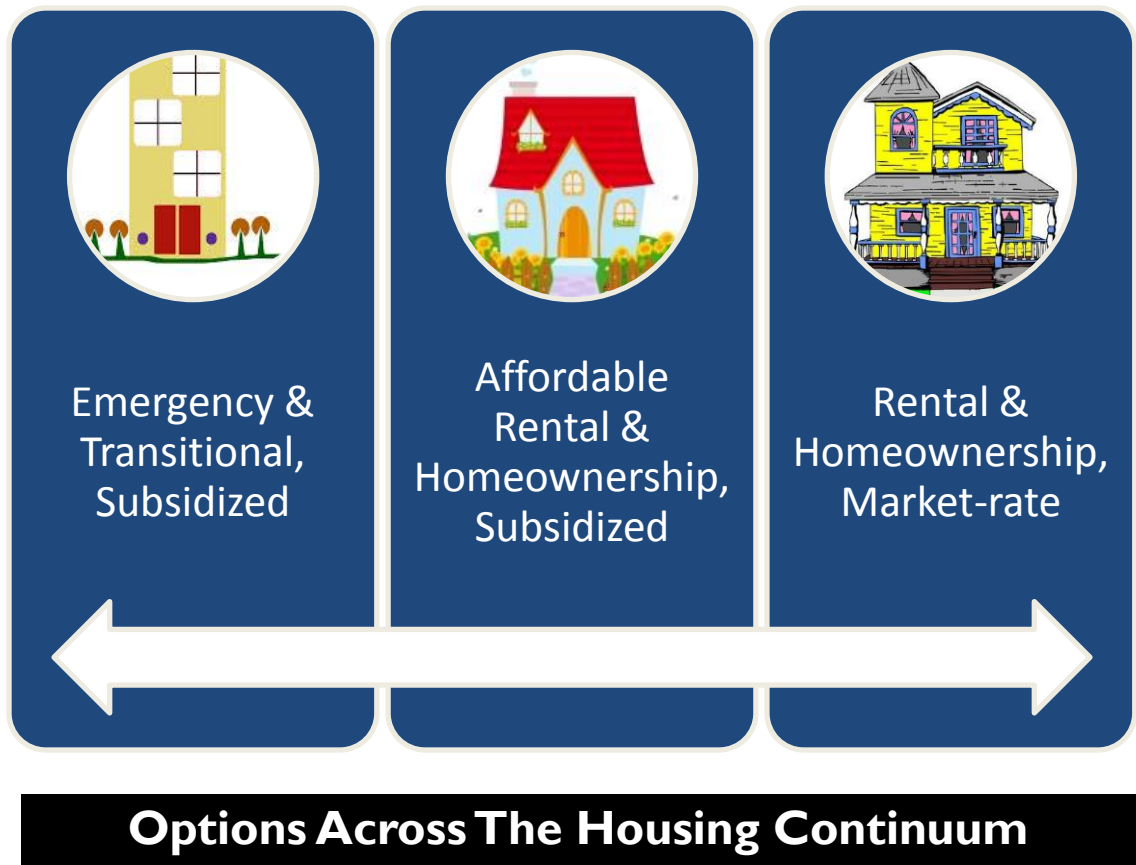
These new products and rules address many of the unethical underwriting issues encountered by participants; however, they also mimic standard lending practices, which were ignored during the late 1990s and early 2000s. Consequently, it will be important for social workers and other consumer advocates to monitor implementation and enforcement of these standards to ensure other borrowers are not exploited.

Incentives and subsidies across the housing continuum.

When facing impending foreclosure, all participants spoke about the uncertainty and insecurity they experienced. This uncertainty stemmed from concerns about securing affordable and quality housing. Helen experienced challenges in finding affordable rental housing before she purchased her home. Most likely, her current rental housing is only affordable now because a fellow church member is charging her an unusually low rate. Helen worries what will happen if this housing option goes away. Like Helen, Jessica was extremely concerned about finding an affordable and quality rental. Although the current rent is affordable for Jessica and her children, she worries about their continued and recent respiratory issues. After leaving her foreclosed home, Dorothy stayed with her daughter for a period of time. Participant experiences affirm that equal attention should be given to homeownership and rental opportunities.

Most affordable housing advocates note the need for options across the housing continuum (see Figure 9). The focus on creating an “ownership society” resulted in funding being diverted to homeownership opportunities at the expense of expanding rental options. As we learned from the participants, homeownership does not always equal assets, freedom, and ownership. People will experience various confounding life challenges and may need different types of housing options across their lifetime. A reassessment of national housing priorities and funding is past due.

Figure 9 Housing Continuum



Limitations of Study

A common critique of qualitative research is that one cannot generalize the findings. Unquestionably, the findings from this research reflect the unique and collective experiences of the five participants; however, to critique the study as lacking generalizability is to fundamentally misunderstand the utility of qualitative inquiry. The purpose of qualitative studies, in general, is to seek a thick, rich, and deep understanding of a particular topic. Specifically, for this interpretative phenomenological study, the intention was to illicit how homeowners experience foreclosure. Although I reject the notion of a lack of generalizability as a limitation, it is reasonable that some will approach this study from a strictly positivist perspective and claim this omission; consequently, I have chosen to address this likely critique in this section.

Having opened this section from a seemingly defensive stance, I certainly acknowledge the existence of limitations in the study. Although others may identify additional challenges and concerns related to the study, there are three substantial limitations that immediately deserve critical reflection and discussion: 1) challenges identifying a sample; 2) revisions of inclusion criteria; and 3) time with data analysis.

Challenges identifying a sample.

Having worked in the field of affordable housing and community economic development for several years, I have developed an extensive network of contacts. In particular, many of my organizational contacts are not-for-profits who specifically provide not only homeownership education training and counseling services but also foreclosure prevention and intervention programs. Relying on this network, I developed an outreach strategy to identify potential research participants. To paraphrase the great poet Burns, the best laid plans of mice and men often go awry. Not only did I encounter significant challenges in identifying a viable sample, but I also did not secure one participant from this outreach strategy—my primary strategy.

Certainly, I anticipated and respectfully understood that potential participants may avoid the study due to feelings of shame or stigma and, simply, wanting to move forward from the experience and declining to reflect on a potentially traumatic life event. I, however, significantly underestimated these, or other likely, concerns (i.e., time, availability for interview, etc.) on the part of potential participants. Identifying participants represented one of the most intense and persistent efforts of the entire study. After receiving IRB-approval in August 2013, I immediately contacted my networks and they distributed the research invitation to their respective contacts. I conducted my first

interview in September 2013. In late September and October 2013, I expanded my outreach strategy and attempted to reach participants directly. After broadening my outreach strategy, the next three interviews occurred in late February and early March. The remaining participants were identified through referrals from individuals who were aware of my research and shared the research invitation and study information sheet with friends, family members, and colleagues. I conducted my last interview in June. In total, it took nine months to identify and interview five participants.

Initially, in reflecting common practices of IPA, I planned to interview between six and 10 participants. Although I am assured that I achieved a level of depth required for IPA analysis, some may question whether five participants is an adequate sample. Difference of opinion continues to exist among phenomenologists regarding sample size; however, due to its qualitative approach, IPA privileges quality, and not quantity of, interviews (Smith et al., 2012).

Revision of inclusion criteria.

Due to the significant challenges identifying research participants, I also had to substantially revise my inclusion criteria. In the planning stages of my study, I identified the following attributes among my inclusion criteria: experienced foreclosure within last seven years (since 2006); was a first-time homebuyer/homeowner of home that was foreclosed; have an income no more than 80% of area median income; an Indiana resident at time of foreclosure; and the willingness and ability to be open and expressive about the experience of moving from homeownership to foreclosure. After experiencing numerous challenges in identifying participants for the study, I made the decision to reduce the inclusion criteria to two attributes: Individual had/was facing foreclosure and

demonstrated a willingness and ability to be open and expressive about the experience of moving from homeownership to foreclosure.

Some scholars may question this decision. It is reasonable to assume another essential pattern and supporting themes may have been uncovered if I adhered to the original inclusion criteria. Practically, it is also reasonable to assume the study may still be incomplete.

Time with data analysis.

As discussed in the methods section, by its very nature, IPA is concerned with deep exploration of a particular phenomenon. Consequently, it is expected that researchers will demonstrate rigor through prolonged immersion in data analysis.

Although there are not general standards, it is estimated that rigorous, prolonged engagement requires essentially a months-worth of analysis for each case (Smith et al., 2012).

Due to an externally imposed deadline, I chose not to extend my data analysis period over an equivalent timeframe (i.e., 5 months for 5 cases/participants). I contend that I did engage in rigorous engagement with the data; however, some scholars may raise legitimate concerns about the lack of time I had to process in between analyzing each interview. Essential insights and interpretations may reveal themselves in this critical-time-in-between each participant analysis. From my perspective, this limitation is among the most significant.

Directions for Future Research

Beyond people experiencing foreclosure, a much broader implication highlighted by this study is the need to seek out and give voice to marginalized and stigmatized

populations. It is reasonable to assume that other segments of the population experience stigma, shame, and trauma equivalent to, if not more so, than people who have experienced foreclosure. These voices are traditionally silenced or marginalized by more powerful interests but, as demonstrated in this study, the people behind these voices have critical knowledge and insight that may benefit individual empowerment and societal well-being.

This interpretative phenomenological analysis concerning the meanings homeowners associated with the lived experience of foreclosure and the extent that those accounts may inform homeownership-as-asset theory provides a foundation on which to explore these topics through a fully-developed research agenda. My plan is to use my findings from this initial, qualitative study to develop a quantitative research design that will test asset development and wealth-building theories upon which most U.S. housing policy is predicated. Concepts of asset, ownership, and freedom need to be more fully explored and understood from the perspective of people characterized by low socio-economic standing.

In addition to engaging in research to advance theory progression of asset-development theory, study findings also suggest the need to further explore the lender-borrower relationship. It seems natural to ground future analysis from a social exchange perspective, to examine more deeply distributive justice principles and power dynamics. Further, this study presents the borrower perspective. Additional insights and knowledge from the lending perspective are also critical to this body of inquiry. In particular, it may be useful to begin by engaging individuals employed in the community reinvestment department of lending institutions. Although the Community Reinvestment Act (CRA)

was not implicated as a factor in the housing crash and economic crisis, such lending representatives are typically more attuned to issues that are relevant to this line of inquiry. Once relationships are established within those departments, subsequent studies may be conducted with other lending representatives.

Over the last few years, new consumer protections have been implemented to discourage the nefarious lending behaviors participants spoke about in this study. For example, the Volcker Rule was implemented in January 2014 as part of Dodd-Frank. Although the Volcker Rule does not go as far as restoring the protective wall provided in Glass-Steagall, it does limit financial institutions' use of consumer deposits for risky investments. Social workers should not abdicate the responsibility of monitoring and researching these consumer issues to economists. As a profession, we need to make sure these protections are working as intended so that other individuals do not find themselves in crisis situations. In addition, social workers should also monitor and study the qualified mortgage and ability-to-repay guidelines.

Although this analysis initially included four explanatory theories, through data collection and analysis, it is now clear this discussion would also benefit from considering the relevance and implications of social contract theory. Further, findings from this study suggest the potential for testing and development of social contract theory in relationship to mortgage contracts and financial regulations governing the lender-borrower relationship. Theoretical implications may be derived from the variations of social contract theory constructed by Thomas Hobbes (1997), John Locke (1997) and Jean-Jacques Rousseau (1997). The foundation of Hobbes' social contract framework rests on the premise that humans seek to escape from the "solitary, poore, nasty, brutish

and short” state of nature by entering into agreements with social institutions (Hobbes, 1997, p. 113). By entering into a social contract with government, people expect to experience “social cooperation” and “mutual reciprocity” (Meslin, Carroll, Schwartz, & Kennedy, 2014, p. 9). Yet, the findings from this study suggest that the state or, federal regulations governing financial institutions, left research participants in circumstances one could arguably describe as “solitary, poore, nasty, brutish...” (Hobbes, 1997, p. 113). It appears the social contract between the government and its citizens is broken or, at least, extremely fractured. Further relevant to this area of inquiry is Locke’s conceptualization of the social contract. Locke is particularly concerned with individual property rights and notions of ownership (1997). Although Locke is frequently interpreted as being an advocate of limited government intervention, part of this concern stems from his critique of the state when it fails to advance the interests of the public (Cahn, 1997). This particular nuance of Locke’s social contract theory seems particularly relevant to the experience of foreclosure—where research demonstrates a lack of federal oversight of financial institutions was a precipitating factor in the housing crash. Lastly, and, perhaps, most relevantly is Rousseau’s contribution to social contract theory. Rousseau suggests there is a “general will” that arises from a collective understanding of the common good and commitment to citizen well-being (Cahn, 1997; Rousseau, 1997). Rousseau contends that inequality exists in society and social contracts may be established to mitigate negative consequences that arise when people with power oppress individuals with less means (Meslin, Carroll, Schwartz, & Kennedy, 2014). This particular feature of social contract theory should be tested and further developed in

relationship to the intersection of homeownership, foreclosure, mortgage contracts and financial regulations.

One of the reasons participants were vulnerable to foreclosure and financial exploitation concerned low-wage and poverty-wage employment. Although there is a body of existing research in the areas of living wage and affordable housing, in the wake of enduring economic challenges and a growing service economy, additional knowledge is needed. Further, a thorough comparative analysis of benefits, resource allocation, and outcomes should be conducted of homeownership and rental housing in low-to-moderate-income communities. This type of study should explore the benefits that both types of housing provide to target populations, how financial resources are allocated, and the outcomes of both housing types. In addition, an examination of whether homeownership is always the appropriate type of housing for low- and moderate-income communities needs to be given further critical consideration.

Conclusion

This discussion began with a historical review and contextual analysis of housing policy from the Great Depression to the Great Recession. A salient theme emanating from that analysis revealed that housing policy and foreclosure response was traditionally driven by three special interest groups—financial services, real estate, and construction industries. The voices, concerns, and interests of everyday people were marginalized and, in some cases, silenced. Following the 2006 housing crash and subsequent Great Recession, mirroring socio-economic conditions similar to the Great Depression, this study sought to give voice to people whose voices have historically been minimized. Through this interpretative phenomenological study, five individuals articulated the

meanings they associated with being a homeowner who experienced foreclosure. The essential pattern emerging from their collective experience was interpreted as foreclosure being disconnection. Through data analysis, it was discovered that foreclosure represented disconnection in many areas of the participants' lives: disconnection from self; disconnection between a homebuyer and housing finance literacy; disconnection between lender and borrower; disconnection between a homebuyer and homeownership benefits; and, disconnection between participants' social service-based, helping-based and/or low-wage employment and self-sufficiency.

Research findings both affirm and challenge traditionally held concepts about homeownership. Symbolically, it was affirmed that homeownership held a sacred position for participants. Participants equated themselves, families, friends, positive attributes, and human qualities to homeownership. Yet, through a fractured relationship between lender and borrower, the most fundamental symbolic and financial benefits of homeownership were challenged. Instead of being empowered by homeownership, participants were exploited. Most significantly, some participants redefined homeownership as a liability and not as an asset. Although participants initially embraced the perceived freedoms of homeownership, most admitted they never had an opportunity to enjoy those liberties. Homeownership, coupled with low-wage employment, constrained them. These findings raise critical questions about the conceptual frameworks of assets, ownership, and freedom that are intimately intertwined with homeownership. Most significantly, the findings underscore the importance of listening to the voices of the marginalized and silenced.

Appendices

Appendix A

Interview Schedule

Researcher: Over the last several years, many people living in the United States have experienced the satisfaction of becoming a homeowner only to lose their home in foreclosure. In the wake of this national crisis, policies and programs have been established to address foreclosures. Yet, in establishing these programs and policies, minimal attention has been given to the people who have experienced foreclosure. The purpose of my study is to listen to and learn from people who have all experienced the transition from homeownership to foreclosure. In particular, I am interested in learning about *you* and what the experience was like for *you* to move from homeownership to foreclosure. The information you provide will be used to inform future policies and programs.

I will first ask you a series of open-ended questions about how you came to be a homeowner. I will then begin asking you a series of open-ended questions about how you transitioned from homeownership to foreclosure. All of your responses will be kept confidential and there is no right or wrong answer. This interview is about a significant life event that happened to you, it is your story, and I respect your time and willingness to share it with me. Consequently, if at any time you become uncomfortable, please let me know and we will stop the interview to discuss your concerns. Or, if you wish to end the interview, please let me know and we will stop the interview immediately. Do you have any questions before we begin?

Opening question: Can you tell me how you came to be a homeowner? (narrative)

Type of question	Question
Descriptive	How old were you when you purchased your home?
Descriptive	How many years or months did you live in your home?
Descriptive	Where was your home located in Indiana: Northern, central, southern?
Descriptive	Were you employed when you purchased your home? If yes, what type of job did you have?
Evaluative	Tell me about what it was like to become a homeowner?
Evaluative	What did you like best about being a homeowner?
Evaluative	What did you like least about being a homeowner?

Narrative	Can you tell me how your home came to be in foreclosure?
Evaluative	Tell me about what it was like to move from homeownership to foreclosure?
Descriptive/Structural	Can you tell me about all the stages involved in the foreclosure process?
Contrast	What are the main differences between being a homeowner and having your home in foreclosure?
Circular	What do you think people think about your home going into foreclosure?
Comparative	How do you think your life would be if your home had not gone into foreclosure?

Ending question: Is there anything else about being a homeowner and/or going through the foreclosure process that you would like to share with me?

Prompts & Probes

Can you tell me more about _____?

What do you mean by _____?

Why? How?

Tell me what you were thinking about _____?

Tell me what you were feeling about _____?

(Smith et al., 2012; Van Manen, 1990)

Appendix B

Research Invitation

Have you or someone you know experienced foreclosure?

Would you like to share your story?

Invitation to Participate in Research Study

A study exploring how homeowners have experienced foreclosure is being conducted by Amy Murphy-Nugen, a Ph.D. candidate at the Indiana University School of Social Work.

Over the last several years, many people living in the United States have experienced the satisfaction of becoming a homeowner only to lose their home in foreclosure. In the wake of this national crisis, policies and programs have been established to address foreclosures. Yet, in establishing these programs and policies, minimal attention has been given to the people who have experienced foreclosure. The purpose of the study is to listen to and learn from people who have experienced the transition from homeownership to foreclosure. In particular, I am interested in learning about *you* and what the experience was like for *you* to move from homeownership to foreclosure. The information you provide will be used to inform future housing policies and programs.

If you (or someone you know) is interested in sharing about the experience of homeownership and foreclosure, you will be asked to participate in a confidential interview. The interview will be scheduled at the participant's convenience and conducted in a location mutually agreed upon by you and the researcher. The in-person interview will take about 60-90 minutes to complete. Participation is completely voluntary. At the conclusion of the interview, each research participant will receive a \$20.00 grocery debit card.

I welcome your questions. Please contact me for more information or to schedule an interview at 812.237.3328 or abmurphy@iupui.edu.

Sincerely,

Amy Murphy-Nugen

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Appendix C

Study Information Sheet

IRB STUDY #1308067968

INDIANA UNIVERSITY STUDY INFORMATION SHEET FOR

From Homeownership to Foreclosure: Exploring the Meanings Homeowners Associate with the Lived Experience of Foreclosure

You are invited to participate in a research study about homeownership and foreclosure. You were selected as a possible participant because you have the experience of both being a homeowner and going through foreclosure. We ask that you read this form and ask any questions you may have before agreeing to be in the study.

The study is being conducted by Amy Murphy-Nugen, a Ph.D. candidate and researcher on this project. Ms. Murphy-Nugen is affiliated with the Indiana University School of Social Work.

STUDY PURPOSE

The purpose of this study is for you to talk about your experiences with homeownership and foreclosure. The information you provide may be used to help other people having similar experiences.

PROCEDURES FOR THE STUDY:

If you agree to be in the study, you will do the following things:

- Take part in one in-person interview that will last approximately 60-90 minutes.
- Identify a location that you feel comfortable meeting to talk about your experiences with homeownership and foreclosure.
- Engage in a series of open-ended questions that ask you to speak openly and in detail about your experiences with homeownership and foreclosure.
- After the in-person interview, possibly participate in one brief, follow-up phone call to clarify information from the in-person interview.

It is possible that you will be contacted by phone following the interview for clarification or review of the interview. If so, you will receive no more than one additional call. If it is acceptable to be re-contacted, please indicate by placing your initials here_____.

CONFIDENTIALITY

Efforts will be made to keep your personal information confidential. We cannot guarantee absolute confidentiality. Your personal information may be disclosed if required by law. Your identity will be held in confidence in reports in which the study may be published and databases in which results will be stored.

The audio-recorded interviews will be transcribed by a professional transcriptionist, stored on a secure-server and then destroyed. To protect your confidentiality, any identifying information from the interview will be removed and your name will be changed to a pseudonym (fictitious name) on the written text. The transcripts may be shared with a research team consisting of the principal investigator, faculty members on the dissertation committee, and possibly one or two doctoral students. Transcripts will be identified with numbered codes to maintain confidentiality. No personal identities will be detectable in any reports or publications from this study.

Organizations that may inspect and/or copy your research records for quality assurance and data analysis include groups such as the study investigator and his/her research associates, and the Indiana University Institutional Review Board or its designees.

PAYMENT

At the conclusion of the in-person interview, each research participant will receive a \$20.00 grocery debit card.

CONTACTS FOR QUESTIONS OR PROBLEMS

For questions about the study, contact the researcher, Amy Murphy-Nugen, at (812) 237-3328 or at abmurphy@iupui.edu.

For questions about your rights as a research participant or to discuss problems, complaints or concerns about a research study, or to obtain information, or offer input, contact the IU Human Subjects Office at (317) 278-3458 or (800) 696-2949.

VOLUNTARY NATURE OF STUDY

Taking part in this study is voluntary. You may choose not to take part or may leave the study at any time. Leaving the study will not result in any penalty or loss of benefits to which you are entitled. There is no penalty to you if you choose to withdraw from the study at any time.

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Zingales, L. (2010). Learning to live with not-so-efficient markets. *Daedalus*, 139(4), 31-40.

Curriculum Vitae

Amy B. Murphy-Nugen

Education

Undergraduate	B.A., Gender Studies, Indiana University, 1998 B.A., Political Science, Indiana University, 1998
Graduate	M.S.W., Social Work (MACRO concentration), Indiana University, 2001 Ph.D., Social Work External minor, SPEA, Public Policy and Nonprofit Management Indiana University, 2014

Academic Appointments

August 2014-present
Western Carolina University Department of Social Work, Cullowhee, NC:
Assistant Professor.

August 2013-May 2014
Indiana State University Department of Social Work, Terre Haute, IN: Assistant Professor.

August 2011-August 2013
Indiana University School of Social Work, Indianapolis, IN: Visiting Lecturer.

January 2010-May 2010
Ball State University Department of Social Work, Muncie, IN: Adjunct Faculty.

January 2010-May 2010
Ball State University Department of Social Work, Muncie, IN: Field Liaison.

January 2008-June 2011
Indiana University School of Social Work, Indianapolis, IN: Research Assistant.
Evaluate the effectiveness of the Indiana High-Risk Youth Reentry Program, an intensive aftercare model, in reducing recidivism and increasing pro-social outcomes of youth returning from juvenile detention facilities. Responsibilities include data management, interviewing, data analysis, report writing, and representing the School of Social Work at collaborative meetings.

January 2004-May 2011
Indiana University School of Social Work, Indianapolis, IN: Adjunct Faculty.

September 2004-December 2004; January 2011-May 2011
Indiana University School of Social Work, Bloomington, IN: Adjunct Faculty.

February 2004

Indiana University School of Social Work, Indianapolis, IN: Research Assistant. Responsibilities included conducting interviews and data management for the Women's Transition Research Evaluation project.

August 2003-May 2008

Indiana University School of Social Work, Indianapolis, IN: MACRO/Leadership Field Instructor. Provided field instruction to fourteen MACRO/leadership students.

August 2003-December 2003

Indiana University School of Social Work, Indianapolis, IN: Teaching Assistant. Assisted with course on human behavior and social environment within the community and organizational context.

Other Appointments and Professional Consultantships

September 2013

Indiana Community Action Association, Indianapolis, IN: Independent Consultant. Developed and facilitated training curriculum, *Interpersonal relationships, conflict resolution and confidentiality in the workplace*. Topics covered included: Ethical and legal responsibilities associated with confidentiality; Using the DiSC® inventory to develop effective working relationships; Workplace communication; Interpersonal relationships in workplace; Personality styles; Resolving conflict; Fostering constructive and creative workplace interactions

August 2013

Indiana Community Action Association, Indianapolis, IN: Independent Consultant. Developed and facilitated training curriculum, *Motivating clients and families*. Topics covered included: Building professional relationships; Assessing client readiness and motivation for change; Using motivational interviewing techniques in case management; Importance of goal setting in motivating clients; Understanding and developing MAPS (measurable, attainable, positive specific) framework for goal setting

September 2012

Indiana Community Action Association, Indianapolis, IN: Independent Consultant. Developed and facilitated training curriculum, *Effective Intake and Interview Skills Training*. Topics covered included: Core interpersonal qualities and skills of professional practitioners; Key steps to prepare for, open and close meetings with clients; Using questions to explore, identify strengths, seek clarification and further understanding with clients; Using questions to assess client's stage of change

July 2012

Indiana Community Action Association, Indianapolis, IN: Independent Consultant. Developed and facilitated training curriculum, *Professional and Ethical Boundaries Training*. Topics covered included: Distinguishing characteristics & boundaries between professional and personal relationships; Forming effective professional relationships; Self-awareness of personal beliefs and professional values; Cultural competency; Organizational responsibilities, rules and context; Identifying and resolving ethical dilemmas; overview of general legal obligations of practitioner-client relationships

July 2012

Indiana Association for Community Economic Development, Indianapolis, IN: Independent Consultant. Revised and facilitated training curriculum, *Measuring What Matters: Using Data to Make Decisions*. Topics covered included: Strategy Change Cycle, Quantitative and Qualitative Research Design, Data Collection and Analysis, Organizational Effectiveness Evaluation Frameworks, Program Evaluation Models, Measurement, and Ethical Issues.

May-June 2011

Pearson Education, Boston, MA: Independent Consultant. Revised instructor's manual and test bank for Netting, F., Kettner, P.M., McMurty, S.L., and M.L. Thomas, *Social work macro practice* (2012, 5th ed.), Allyn & Bacon, MA. Contract included revising multiple choice questions; developing five essay questions, five discussion questions and three chapter activities/assignments for eleven chapters; and identifying three relevant and scholarly book, journal article and websites relevant to the content of each chapter.

October-November 2010

Indiana Association for Community Economic Development, Indianapolis, IN: Independent Consultant. Developed and facilitated training curriculum, *Measuring What Matters: Using Data to Make Decisions*. Topics covered included: Strategy Change Cycle, Quantitative and Qualitative Research Design, Data Collection and Analysis, Organizational Effectiveness Evaluation Frameworks, Program Evaluation Models, Measurement, and Ethical Issues.

September-October 2010

Milestone Ventures Inc., Indianapolis, IN: Independent Consultant. Prepared a five-year neighborhood revitalization plan for the West Second Street Corridor located in Sheridan, IN. Collected and analyzed data from primary and secondary sources, including resident feedback from a facilitated public forum and socio-economic databases.

January-April 2010

Hamilton County Area Neighborhood Development, Noblesville, IN: Independent Consultant. Designed and performed a case study using organizational life cycle theory to assess organizational challenges and opportunities. Collected and analyzed data from stakeholder interviews, observation, and analysis of key organizational documents. Authored comprehensive report detailing evaluative findings and strategic recommendations. Used the research findings to facilitate a strategic planning session and, in collaboration with organization, authored three-year organizational and programmatic strategic plan.

January-August 2008

Indianapolis Coalition for Neighborhood Development, Indianapolis, IN: Independent Consultant. Management and programmatic services provided to citywide coalition of community-based development organizations. Identified, monitored, and researched federal, state, and local policies impacting the missions of ICND's coalition members. Convened and facilitated ad hoc committees on strategic policy initiatives resulting in the development of policy statements and advocacy efforts. Represented ICND before state and local constituency groups and policymakers.

- Developed strategy that resulted in a 40 percent increase in membership for the purpose of strengthening coalition to achieve its shared vision of community development.
- Increased communication and collaboration with key government and funding stakeholders resulting in beneficial policy changes to HOME, CDBG and core operating support.
- Designed structure and secured funding for a citywide community development internship program resulting in increased organizational capacity for ICND's members and interest among emerging leaders to pursue careers in community development.

December 2001-January 2008

Indiana Association for Community Economic Development (IACED), Indianapolis, IN:

Deputy Director; August 2005-January 2008

Program Manager; March 2002-August 2005

Membership Services Manager; December 2001-March 2002

Managed fee-for-service line of business, including proposal development, marketing, and project completion, which included performing research for and preparing \$700,000 Consolidated Plan for Hamilton County that resulted in services provided to individuals with low- and moderate- incomes. Provided, managed, and monitored over \$600,000 in CHDO technical assistance grants from U.S. Department of Housing and Urban Development. Secured and administered over \$160,000 in affordable housing regulatory training and program grants from the Indiana Housing and Community Development Authority. Collaborated with for-profit partner to meet regulatory requirements in distributing \$25 million allocation of New Market Tax Credits (NMTC).

Researched and developed public policy issues and data; prepared policy statements and collaborated with other local and national stakeholders to promote IACED's public policy goals. Formed partnerships with intermediary organizations and government agencies that provide services to IACED members. Represented IACED on statewide task forces, boards, and other forums to further the mission of IACED and the community economic development field. Facilitated community planning processes, including large public forums and small stakeholder meetings. Supported and provided team leadership for the training and technical assistance staff through resource planning, work assignment, information exchange, and setting project goals. Provided organizational development technical assistance including organizational assessments, board governance training, visioning and strategic plans, resource development plans, succession plans, and financial management reviews. Conducted project development technical assistance including community assessments, housing and market analysis, monitoring regulatory compliance, program audits, asset management plans, and project underwriting. Acted as Program Director, which included all aspects of not-for-profit management, to the Indianapolis Coalition for Neighborhood Development. Provided staff leadership in analyzing, developing strategy and mobilizing IACED's membership on policy impacting core programs, including, but not limited to, HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Low-Income Housing Tax Credit (LIHTC) and New Market Tax Credits (NMTC).

July 2001-December 2001

Indiana Coalition on Housing and Homeless Issues (ICHHI), Indianapolis, IN: Policy Analyst. Provided analysis and recommendations on a variety of issues including: state and local government revenues structure to sustain current and future program needs; and the implementation of state and federal laws related to low-income individuals including Temporary Assistance to Needy Families (TANF), Welfare-to-Work, Medicaid, Children's Health Insurance Program, Workforce Investment, housing and Food Stamps. Provided education and information in local, regional and statewide workshops and meetings. Represented ICHHI before state and local constituency groups and policymakers.

October 2000-July 2001

Indiana Association for Community Economic Development (IACED), Indianapolis, IN: Public Policy Assistant. Monitored and reported on policy activity during the legislative session, emphasizing Neighborhood Assistance Program (NAP), Individual Development Accounts (IDAs), lead-based paint activities, Community Development Action Grant (CDAG), and the Indiana Affordable Housing Trust Fund. Created policy fact sheets, policy alerts, and other educational materials for IACED members. Participated in planning the First Statewide Summit on Hispanic/Latino Issues, which included researching immigrant policy issues, meeting with stakeholders, and coordinating programmatic and logistical aspects for the event.

June 2000-October 2000

Indiana Coalition Against Domestic Violence, Indianapolis, IN: Resource Center Associate. Provided education and information on sexual and domestic violence to ICADV members and the general public. Researched public policy issues and data relating to sexual and domestic violence. Performed communications, marketing, and programmatic activities on behalf of ICADV members. Provided direct service to victims of sexual and domestic violence through ICADV's crisis line.

Professional Organizations

Association for Community Organization & Social Administration (ACOSA)

Council on Social Work Education (CSWE)

Influencing State Policy (ISP)

The National Network for Social Work Managers

National Association of Social Workers

Honors and Awards

Excellence in Teaching, Indiana University School of Social Work, April 2013

Educational Enhancement Grant, Indiana University Graduate School, May 2010

Excellence in Teaching, Indiana University School of Social Work, April 2010

Teaching Assignments

Courses

S505: Social Policy Analysis and Practice; Spring 2004; enrollment 24

S251: Emergence of Social Welfare Issues; Fall 2004; enrollment 26

S505: Social Policy Analysis and Practice; Spring 2005; enrollment 18

S663: Leveraging Organizations, Communities and Political Systems; Spring 2006; enrollment 24

S505: Social Policy Analysis and Practice; Spring 2007; enrollment 24

S661: Executive Leadership Practice; Fall 2009; enrollment 10

S101: Introduction to Social Work; Spring 2010; enrollment 21

S352: Social Welfare Delivery Systems; Spring 2011; enrollment 25

S433: Community Behavior and Practice within a Generalist Perspective; Spring 2011; enrollment 25
 S516: Social Work Practice: Organizations, Communities, and Societies; Spring 2011; enrollment 20
 S251: History and Analysis of Social Welfare Policy; Fall 2011; enrollment 24
 S433: Community Behavior and Practice within a Generalist Perspective; Fall 2011; Two sections: online enrollment 30; face-to-face enrollment 19
 S503: Human Behavior and the Social Environment I; Fall 2011; enrollment 19
 S352: Social Welfare Policy and Practice; Spring 2012; enrollment 32 (online)
 S504: Professional Practice Skills I; Spring 2012; Two sections: enrollment 18, 13
 S555: Practicum I; Spring 2012; enrollment 12
 S555: Practicum I; Summer I & II 2012; enrollment 10
 S661: Executive Leadership Practice; Summer II 2012, enrollment 22
 S251: History and Analysis of Social Welfare Policy; Fall 2012; enrollment 20
 S423: Organizational Theory and Practice, Fall 2012; enrollment 25
 S503: Human Behavior and the Social Environment 1; Fall 2012; enrollment 20
 S505: Social Policy Analysis and Practice; Fall 2012; enrollment 17 (IUS cohort)
 S352: Social Welfare Policy and Practice; Spring 2013; enrollment 30 (online)
 S433: Community Behavior and Practice within a Generalist Perspective; Spring 2013; enrollment 27 (online)
 S504: Professional Practice Skills I; Spring 2013; Two sections: enrollment 12
 S555: Practicum I; Spring 2013; enrollment 11
 S460: Scholarly Writing Seminar; Summer I & II 2013; enrollment 12
 S661: Executive Leadership Practice, Summer II 2013; enrollment 22
 SOWK400: Social Work Practice in Indiana Child Services, Fall 2013; enrollment 3
 SOWK502: Social Welfare Policy, Fall 2013; enrollment 8
 SOWK504: Culturally Competent Practice, Spring 2014; enrollment 6
 SOWK507: Social Work Research and Evidence-based Practice, Spring 2014; enrollment 6
 SOWK601: Rural Social Work Practice, Summer 2014; enrollment 6

Guest Lectures

S513: Human Behavior and the Social Environment II. (2013, April). Topic: "Empowerment Perspective, Critical and Radical Social Theories."
 S433: Community Behavior and Practice within a Generalist Perspective. (2013, March). Topic: "Social Planning and Policy."
 S516: Social Work Practice II: Organizations, Communities And Societies. (2011, September). Topic: "Appreciative Inquiry."
 S433: Community Behavior and Practice within a Generalist Perspective. (2010, November). Topic: "Appreciative Inquiry."
 S433: Community Behavior and Practice within a Generalist Perspective. (2009, October; 2008, September). Topic: "Community Economic Development."

S501: Professional Social Work at the Masters Level: An Immersion. (2010; 2008, 2007, 2006; September). Topic: “MACRO Leadership Career Opportunities and Experiences.”

Professional Service

Indiana State University, Department of Social Work, Bachelor of Social Work Program, Curricular and Academic Affairs Sub-Committee, January 2014-present

Indiana State University, Department of Social Work, Master of Social Work Program, Curricular and Academic Affairs Sub-Committee, January 2014-present

Indiana State University, Department of Social Work, Curricular and Academic Affairs Committee, January-2014 present

Indiana State University, Department of Social Work, Master of Social Work Program, Field Sub-Committee, January 2014-present

Indiana State University, Department of Social Work, Field Committee, January 2014-present

Indiana State University, Department of Social Work, Search Committee for Instructor Position, January 2014-May 2014

United Way of Wabash Valley, Community Impact Review Team Six, January-February 2014

Indiana State University, University Graduate Council, Curricular Affairs Sub-committee, September 2013-present

Indiana State University, First Generation Faculty Mentor Program, Faculty Mentor, September 2013-May 2014

Indianapolis Neighborhood Resource Center, Board of Directors, 2006-2012; Finance Committee, September 2006-January 2010; Strategic Plan Task Force, October 2008- January 2010; Executive Committee, October 2009-October 2010, Secretary, October 2009- October 2010; Board Development and Governance Committee, Chair, December 2009-2012; Nominating Committee, Chair, May 2010-October 2010, May 2011-October 2011; May 2012—October 2012

Great Indy Neighborhoods Steering Committee, ICND Representative, January 2006-June 2007

National Association of Social Workers, PACE Committee Chair, 2005-2007

Indiana Rural Development Council, Indiana Housing Assistance Review Team,
March 2001- January 2008

State of Indiana Consolidated Plan, Plan Coordinating Committee Member,
December 2001- August 2005

Legislation, Education, and Advocacy Day for Social Workers (LEAD), Planning
Committee, August 2001-2007; Chair, August 2005-June 2007

Professional Activities

Conference Presentations

Murphy-Nugen, A. (2008, April 23). *Executive director succession planning in rural Indiana community-based development organizations*. Poster presentation at the Indiana University School of Social Work Ph.D. Spring Symposium. Indianapolis, IN.

Murphy-Nugen, A., & Richardson, R. (2009, April 8). *Professional socialization of MSW leadership students*. Poster presentation at the Indiana University School of Social Work Ph.D. Spring Symposium. Indianapolis, IN.

Murphy-Nugen, A. (2009, July 18). *Financial and developmental impacts of foreclosures on low- income and minority communities*. Presented at the Building the Unsettling Force: A National Conference to End Poverty jointly hosted by the Poor People's Economic Human Rights Campaign (PPERHC) and the Social Welfare Action Alliance (SWAA), Louisville, KY.

Murphy-Nugen, A. (2010, March 19). *Red herring policy analysis model: A teaching tool for policy practice*. Presented at the 27th annual conference of the Association of Baccalaureate Social Work Program Directors (BPD), Atlanta, GA.

Barton, W. H., Murphy-Nugen, A., & Bloomquist, K. (2011, November). *Indiana High-Risk Youth Reentry Program: Preliminary evaluation findings*. Paper presented at the annual meetings of the American Society of Criminology, Washington, DC.

Murphy-Nugen, A. (2012, July). *Strategy change cycle: A ten-step process to build capacity and nurture sustainability*. Presented at the 37th annual national conference of the National Institute for Social Work and Human Services in Rural Areas, Nashville, IN.

Murphy-Nugen, A. (2012, July). *Strengths-based planning: Using appreciative inquiry to build capacity and nurture sustainability*. Presented at the 37th annual national conference of the National Institute for Social Work and Human Services in Rural Areas, Nashville, IN.

Murphy-Nugen, A. (2014, May). *Housing Policy and Foreclosure Response at the Federal, State and Grassroots Levels: Implications for Social Work Advocacy and Practice*. Presented at the 2014 Policy Conference 2.0: Energizing for Activism: Recommitting to Policy Change, Austin, TX.

Murphy-Nugen, A. (2014, July). *Hope Now? A Call for Social Work Leadership on Housing Policy and Foreclosure Response*. Presented at the National Association of Social Workers 2014 National Conference, Social Work: Courage, Hope and Leadership, Washington, DC.

Technical Reports

Barton, W.H., & Murphy-Nugen, A. (2009). *Indiana Juvenile Justice Task Force High Risk Youth Reentry Evaluation: Annual Progress Report, 2008*. Indiana University School of Social Work, Indianapolis, IN.

Barton, W.H., & Murphy-Nugen, A. (2010). *Indiana Juvenile Justice Task Force High Risk Youth Reentry Evaluation: Annual Progress Report, 2009*. Indiana University School of Social Work, Indianapolis, IN.

Barton, W.H., Murphy-Nugen, A., & Bloomquist, K. (2012). *Indiana Juvenile Justice Task Force High Risk Youth Reentry Evaluation: Final Report, 2012*. Indiana University School of Social Work, Indianapolis, IN.

Publication

McGuire, L., Howes, P., Murphy-Nugen, A., & George, K. (2011). Leadership as advocacy: The impact of Title IV-E supported MSW education on a public child welfare agency. *Journal of Public Child Welfare*, 5(2), 213-233. doi: 10.1080/15548732.2011.566761

Professional Development

“Institute for Heideggerian Hermeneutical Methodologies.” Indianapolis, IN. (2009, June). Sponsored by the Institute for Heideggerian Hermeneutical Methodologies. Hosted by the Indiana University School of Nursing.

“Discussing Research and Volunteer Topics.” Cologne, Germany. (2009, Sept./Oct.). Sponsored by Catholic Charities Archdiocese of Cologne, Germany.

“Building rights, culture, and justice: Social work as a change agent.” San, Antonio, TX. (2009, November). Hosted by the Council on Social Work Education.

“Promoting a culture of social justice: Social work and social change.” Atlanta, GA. (2010, March). Hosted by the Association of Baccalaureate Social Work Program Directors (BPD).

“Enhancing online course series, sessions 1-5: Online course showcase and online teaching guidelines, web content delivery, planning an evaluation for your blended learning or online course, managing online interactions, assessing student learning in online courses.” Indianapolis, IN. (2011, June). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Teaching today’s students.” Indianapolis, IN. (2011, July). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Integrating the new IUPUI common theme: Sharing ideas.” Indianapolis, IN. (2011, August). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Teaching at IUPUI: Navigating IUPUI.” Indianapolis, IN. (2011, August). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Oncourse: Preparing your course site.” Indianapolis, IN. (2011, August). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Teaching at IUPUI: Syllabus and first day of class.” Indianapolis, IN. (2011, August). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“Oncourse advanced features.” Indianapolis, IN. (2011, August). Hosted by The Center for Teaching and Learning, Indiana University Purdue University.

“2012 national conference: Strategies for strengthening communities.” New Orleans, LA. (2012, April). Hosted by the U.S. Department of Housing and Urban Development, Office of University Partnerships.

“Moving out: How future demand will impact housing opportunity.” Washington, D.C. (2012, June). Hosted by the Urban Land Institute, Terwillinger Center for Housing.

“Annual policy symposium: Coming home, framing the housing challenges, veterans’ housing issues and broader policy solutions.” Washington, D.C. (2012, June). Hosted by the National Housing Conference and Center for Housing Policy.

“Structural equation modeling.” Indianapolis, IN. (2012, August). Hosted by The School of Social Work, Indiana University.

“Shaping the learning experience: What the best college teachers and the best college students do.” Bloomington, IN. (2013, April). Hosted by the Indiana University Bloomington FACET program, the Bloomington Scholarship of Teaching and Learning Program and the Center for Innovative Teaching and Learning.

“Democratic engagement in a technocratic world.” Indianapolis, IN. (2013, April). Hosted by Indiana University Purdue University Indianapolis, Center for Service and Learning.

“New faculty orientation.” Terre Haute, IN. (2013, August-December). Hosted by Indiana State University, Academic Affairs.

“Social and learning luncheon.” Terre Haute, IN. (2013, August). Hosted by the National Association of Social Workers, Indiana Chapter, Region 9.

“Provocative ideas brownbag lunch series: Can grit be taught?” Terre Haute, IN. (2013, September). Hosted by Indiana State University, University College.

“Teaching Triangles.” Terre Haute, IN. (2014, April-May). Hosted by Indiana State University, Faculty Center for Teaching Excellence.